



OVERSEAS NEWS

Trade war fears grow as hormone issue unresolved

By Tim Dickson and David Buchan in Brussels

FEARS that a full-scale transatlantic trade war would erupt in the New Year were growing last night after week-end talks between the European Community and the US...

The war of words was continued at a news conference given by Mr Willy de Clercq, EC External Relations Commissioner...

which the issue may cast over the mid-term review in Montreal next month... The EC's blanket ban on all growth hormones in December 1985 came amid strong political pressure from the European Parliament...

Officials on both sides believe the deepening of the hormone crisis is highly regrettable so soon after the US presidential election...

Crowd gathers to mourn Stalin's victims

Quentin Peel watches a memorial service at a mass burial site in a Moscow cemetery

IN the far corner of Moscow's Kalitnikov Cemetery, as the temperature dropped well below zero, about 300 people gathered yesterday to hold a memorial service...

Some have crosses and some do not. There are inscriptions to young men with medals, who may have died during the war in Afghanistan...

More recent rule of Leonid Brezhnev. It marked the first open religious involvement in a Week of Conscience for the victims of Stalinism...

President Mikhail Gorbachev of the USSR and Mr Rajiv Gandhi, Indian Prime Minister, have said that another international conference may be needed to try to settle the war in Afghanistan...

The statement came yesterday in a joint communiqué at the end of the Soviet leader's three-day visit to New Delhi, during which he warned the US and Pakistan of "grave consequences" for the Geneva accords on Afghanistan...

more recent rule of Leonid Brezhnev. It marked the first open religious involvement in a Week of Conscience for the victims of Stalinism, intended to raise money for a national memorial to the millions who died...

National movements gather pace

By John Lloyd in Moscow

THE MOVEMENTS for self-determination in the Soviet Union's dissident republics continue to gather speed...

In Armenia, where a further wave of strikes last week is reported to have emboldened the republic's Supreme Soviet...

That majority's demands for special autonomy within Azerbaijan have been refused by Moscow...

Y. Djafarov and Lismanov - have been sent back for further evidence. This is interpreted as indicative of the supreme court's desire to broaden the charges to include other people...

The trial of three Azeri men - charged with murder, pogroms and arson against Armenians in the Azerbaijan city of Sumgait this year - has ended in Moscow with one of the three, Akhmed Akhmedov, sentenced to death...

The cases of other two men suggested by President-elect Mr George Bush during his election campaign and warned that a failure to seize the initiative would result in putting the nation's economic future at risk...

Solidarity's recognition call snubbed

THE Polish authorities appeared yesterday to be continuing to resist Solidarity's demand for legal recognition...

The tragedy of millions of those who were made to suffer, the tragedy of the country drained of its lifeblood, the tragedy of wrecked lives and destroyed morality is our common disaster...

Father Yankin called for a monument to be built at the site of the mass grave itself. He said writers such as Anton Chakhov had monuments; there was a monument to the Unknown Soldier; so there should be a monument to the unknown victims of Stalinism...

The initiative aims at offering Solidarity a place in Parliament and other official bodies while opposing the movement's legalisation as a trade union. The Solidarity union, for its part, has been loath to join the conference without a prior declaration from the authorities that it will be legalised...

Argentine judge orders autopsy on Onassis death

By Our Foreign Staff

THE curse that seemed to hang over Aristotle Socrates Onassis has struck again, with the death in Argentina of the late shipowner's daughter, Christina, at the age of 37...

Christina's infant daughter Athina is now the only living descendant of Aristotle Onassis, the "Greek boy who knew how to do his sums" and became the archetype of the playboy tycoon...

French pharmaceuticals heir Thierry Rousset, the father of Athina. The Onassis fortune, variously estimated at between \$400m (\$260m) and \$10n, was divided equally between Christina and a charitable foundation, set up in memory of Alexander...

She had come late to a happy which seemed to elude her in four unsuccessful marriages, the most recent to expressed over Mr Mulrooney's extensive collection of Gucci shoes...

Call for action on US budget deficit

By Janet Bush in New York

THE GENERAL Accounting Office, the independent US Congressional watchdog, added its voice to calls for direct action to cut the US budget deficit, including spending cuts and tax increases...

It urged a bipartisan effort to reach compromise on the deficit, said that all parts of the budget should be subject to negotiation and scooped at the notion perpetrated by the Bush team that the deficit could be tackled without raising taxes through a flexible freeze on spending...

The Liberals are led by Mr John Turner, to whom uncharitable souls ascribe some of Walter Mondale's qualities. Perhaps they mean the Norwegian characteristics...

Each comment from the US has been gleefully pounced on by the opposition as evidence of intervention in Canadian affairs, including President Ronald Reagan's speech about trade last week...

Close-run Canadian poll arouses unaccustomed passions

Passion and Canada rarely meet. People do not wear their hearts on their sleeves in what is sometimes called the Switzerland of North America, Andrew Marshall writes from Toronto...

Only in the last month has excitement become the order of the day. Hecklers have hurled abuse, accusations of treason have been, and quickfire insults exchanged. The country has become suffused with a native brand of moral indignation, laced with hyperbolic patriotism, as if prepared for the election today...

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Liberal take aim at a range of Ontario targets

David Owen looks at ridings John Turner must win to deny the Conservatives a second term

THE LEAFY and well-heeled Toronto residential district of Rosedale has little in common with suburban York-Simcoe, an area of rich farmland and sprawling neo-Gothic housing estates...

Yet each of these diverse communities shares at least one salient characteristic for the purposes of the Canadian general election today. They all are in the middle of ridings (constituencies) which the opposition Liberals must win if party leader Mr John Turner is to have a realistic chance of heading the next Government...

For another, Ontario now has a majority Liberal provincial government for the first time in 53 years. Mr David Peterson, the province's popular premier, was decidedly lukewarm in his support for Mr Turner in the campaign's early days...

The Liberals need to win about 50 per cent of Ontario's seats to compensate for sparse support in the prairie provinces and British Columbia. Ontario has enjoyed an almost unprecedented burst of prosperity since Mr Mulrooney strove to power four years ago, but it also hosts an immensely powerful business and financial services lobby, which is working hard to promote the trade deal...



John Turner

high-flying cabinet minister, against Ms Aileen Nicholson, a Liberal MP for 14 years in the now defunct riding of Forest Hill...

Ms McDonough is pinning her hopes on solid support for free trade in affluent Forest Hill. Ms Nicholson's chances of springing an upset reside in her own formidable reputation in the words of Ms Cathy Kozma, Ms Nicholson's campaign manager, the outcome will be "a matter of who has the best organisation on the ground on Monday"...

per cent of Ontario voters. So victory in such ridings as Rosedale, York-Simcoe, Lincoln and St Paul's is critical if Liberal ambitions of frustrating Mr Mulrooney's bid for a second consecutive majority are to be realised...

The closest confrontation of all may well take place in Toronto St Paul's. This pits Ms Barbara McDonough, the

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# Ethnic Albanians show support for party leaders

By Judy Dempsey in Prishtina, Kosovo

SEVERAL THOUSAND ethnic Albanians yesterday demonstrated in Kosovo, Yugoslavia's troubled province, to demand the reinstatement of their party leaders.



Ethnic Albanian miners with the Albanian national flag protest against what they view as a purge of local leaders in Yugoslavia's Kosovo Province.

Defying a snow blizzard and led by an ethnic Albanian carrying a portrait of the late President Tito, they called for the reinstatement of Mrs Kacusa Jasari as party leader and Mr Azim Vlasi to the political bureau.

These demonstrations clearly signal a major shift in the recent wave of ethnic tensions between the Serbs and Albanians. The ethnic Albanians are reawakening politically, one Albanian engineer commented.

# Official calls for end to Tokyo taboo on hostile takeovers

By Gordon Crainb in Tokyo

A SENIOR Japanese industry official called at the weekend for a greater acceptance of hostile corporate takeovers in the domestic market, suggesting that the country's taboo on unsolicited bids might be hampering economic efficiency.

Writing in the English-language Japan Times on Saturday, Mr Nukazawa said: "Americans believe introducing new management into a company can be advantageous for both the company and its shareholders."

# Hussein urges PLO place at peace talks

By Andrew Gowers, Middle East Editor

EUROPEAN Community Foreign Ministers will today discuss ways of building on last week's policy statement by the Palestine National Council which implicitly recognised Israel.

# EC to discuss Palestine move

By Andrew Gowers, Middle East Editor

At a two-day meeting in Brussels, the ministers aim to draft a communique welcoming what they see as new signs of moderation on the part of the Palestine Liberation Organisation, and reiterating their support for an international peace conference on the Middle East.

But EC Governments have gone out of their way to underline the positive elements in the Palestinian statement, and Mrs Margaret Thatcher, Britain's Prime Minister, urged President-elect George Bush to look carefully at the decision.

The one EC member-state that has indicated it plans to recognise the PLO state is Greece. Foreign Ministry officials in Athens indicated last week that Greece, which has no diplomatic relations with Israel, was considering a simultaneous recognition of both Israel and the Palestinian state, a move of which other members of the 12 are unlikely

to approve. Palestinian leaders of an 11-month-old uprising against Israeli rule in the West Bank and Gaza Strip praised the PLO yesterday for declaring an independent state, Renter reports from Jerusalem.

# Run on shekel brings devaluation pressure

By Andrew Whitley in Jerusalem

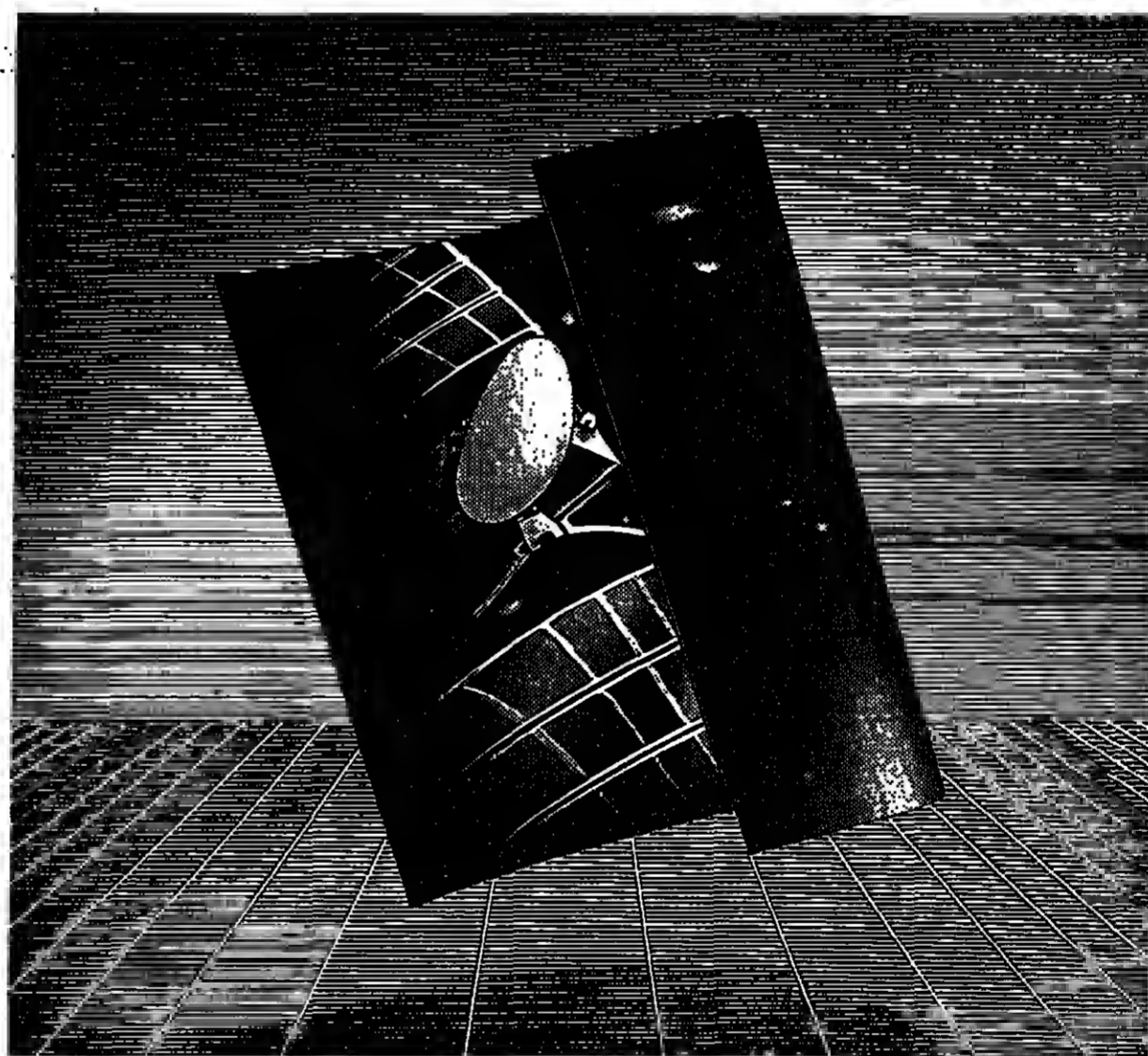
THE BANK of Israel is pressing for an early devaluation of the shekel, by as much as 15 per cent, to counteract a recent surge of bad news for the national economy.

related liquidity shortage at the banks has pushed up already high domestic interest rates, by 50 per cent above market levels that were prevailing as recently as September.

The figure of 2.4 per cent last month from the Central Bureau of Statistics was a shock, ensuring as it did that 1988 inflation would exceed the 1.1 per cent of last year.

At the end of last week, the black market rate for the US currency had opened a 20 per cent margin over the official bank rate. Despite the market's view, Mr Moshe Nissim, Finance Minister, is trying to delay any move until 1989.

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# Conservative formula for Hong Kong

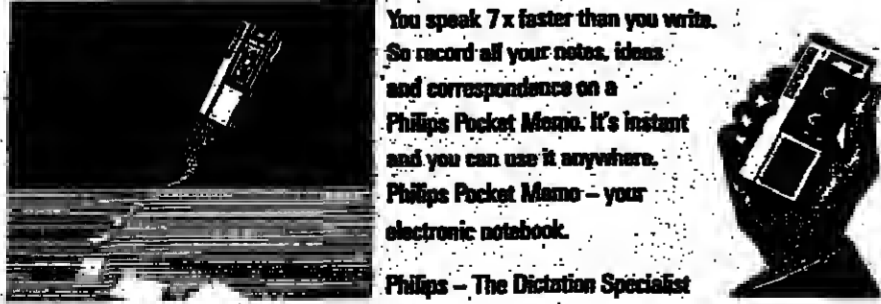
By Michael Murray in Hong Kong

MAINLAND Chinese officials and representatives from Hong Kong have produced a conservative formula for the introduction of democracy to the territory.

The proposal was adopted during a round of talks this weekend in the Chinese city of Canton, where the political sub-group of the Drafting Committee of the Basic Law has been meeting.

Public consultation on the first Basic Law draft ended in September, and the delegates are now preparing a second draft of the post-1997 constitution for the territory.

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OVERSEAS NEWS

EC looks for social dimension to single market

Brussels is aiming to reassure workers fearful of cross-border mergers, David Buchan writes

THE European Commission has been issuing warnings about possible popular resentment of a single EC market if it is seen to be purely for the benefit of business...

The UK is not the only country that wants to retain the effect of the natural barriers afforded by geography. Another is Greece, without a land border with another part of the Community...

against terrorism and international crime. This group will examine West German Chancellor Helmut Kohl's recent call for a European equivalent of the US Federal Bureau of Investigation...

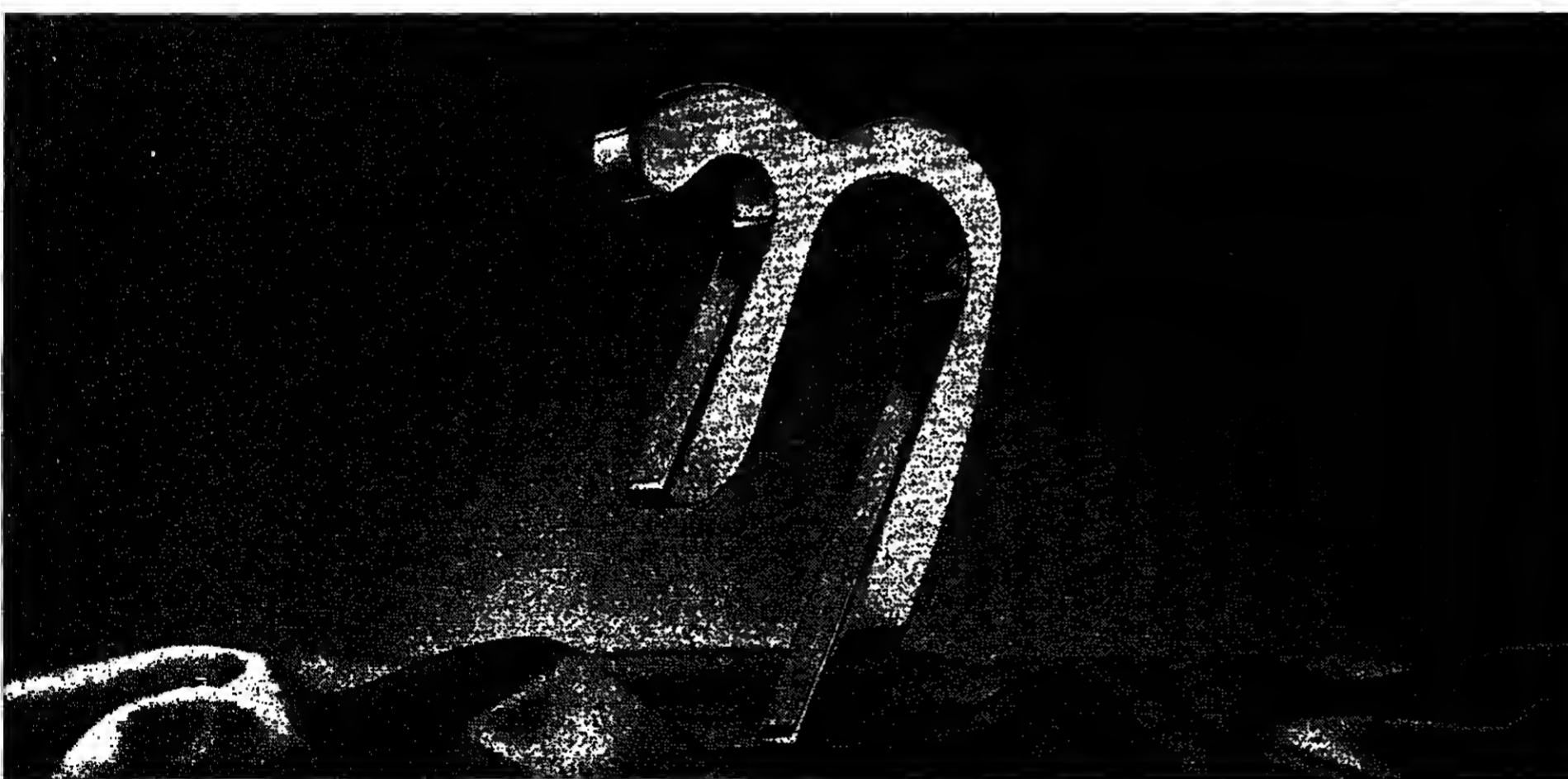


'Tests ahead' for Bush in world finance markets

By John Wyles in Rome

THE US made the right choice in preferring Mr George Bush to Mr Michael Dukakis, but the new president faces severe tests in world financial markets and in preventing developments in eastern Europe...

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Italian railway chiefs under pressure to quit

SENIOR management in the Italian State Railways is coming under intense political pressure to resign. This follows the eruption of the "golden sheets" scandal over alleged improprieties in the award of a contract for supply of bedding...

SHIPPING REPORT Demand for crude oil tankers increases

DEMAND for crude oil tankers increased last week amid further evidence that Saudi Arabia was again the main supplier of oil. Some tanker charterers had difficulty in finding sufficient tanker capacity...

WORLD ECONOMIC INDICATORS TRADE STATISTICS. Table with columns for Country, Month, Exports, Imports, Balance.

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UK NEWS

Takeover system to be streamlined

By Philip Stephens, Political Editor

THE BRITISH Government is planning new legislation next year to streamline its investigation and approval procedures for takeovers and mergers.

The first would provide for a voluntary system of "pre-notification" of planned mergers and acquisitions to the Office of Fair Trading (OFT) which would provide for automatic clearance of non-controversial bids.

Power tax planned to pay for nuclear programme

By Max Wilkinson, Natural Resources Editor

A "NUCLEAR tax" is to be imposed on all consumers of electricity, including large industrial companies linked to independent generators, after the industry is privatised.

Ford pledges annual £1.5m for staff development programme

By Charles Leadbeater, Labour Editor

FORD, the vehicle maker, plans to spend more than £1m a year on an personal assistance and development programme for its 42,000 staff.

The main points of the scheme are: Employee development will provide grants of up to £200 per employee, to cover the costs of courses at Colleges of Further Education, Polytechnics, the Open University and other educational institutions.

aggers subsidised membership of private health-care schemes. Ford plans to match this in part by providing workers with on-site access to physiotherapists, chiropractors, and dentists.

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The automatic transmission of costs to the consumer will be limited to the initial contract price of the nuclear programme, unless National Power, the industry's regulator that its costs overran for reasons beyond its control.

Allied agrees to cut in hours

By Michael Smith, Labour Staff

ALLIED-LYONS, the food and drink group, has agreed in principle to reduce the working week of the 11,500 manual workers in its food division from 39 hours to 37 1/2 hours.

Allied-Lyons has agreed the principle of a 37 1/2-hour week with six unions - the AEU engineering union, the TGWU and GMB general workers' unions, the MSF general technical union, the EETPU electricals union and the IFAWU bakers' union.

years would be towards a 37 1/2-hour week and Allied-Lyons wanted to be ahead of the field.

The Electricity Bill will require the regional supply companies, which are to succeed the 12 area boards, to buy a fixed proportion of their electricity not generated by fossil fuels. At first the level will be a little under 20 per cent.

The deal has been reached more than two years after the unions made their first request for a reduction in hours and the company says that its first response was rejection.

Increased flexibility between different types of workers will be one idea the company will be pursuing. There would be no reduction in output and the company was not interested in hidden pay increases through, for example, increased availability of overtime.

At the start of the 1980s blue-collar workers in Allied-Lyons food division were working 40 hours a week. The national deal to reduce this figure to 37 1/2 hours was negotiated in 1983 but in many cases the local agreements needed to implement the cut took several years to complete.

The Government has decided, however, that the shareholders of National Power, the generating company which will inherit the CEGB's nuclear programme, must bear some of the risks of building delays or technical failures.

Government steps up attack on health unions

By John Gapper, Labour Correspondent

THE Government yesterday intensified its attack on the Trade Union Congress-affiliated health unions over the nurses' pay dispute, declaring that it regarded the widespread practice of working strictly to new grading definitions as industrial action.

Europe's chemical unions agree to EC policies plan

By Our Labour Staff

EUROPEAN chemical industry unions, representing more than 1.5m members, have agreed a plan of work to represent workers' interests in debates over European Community policy in four sectors, including pharmaceuticals, plastics, rubber, and gas.

The Federation will hold its first conference next May. It represents more than 20 European chemical industry unions but, in accordance with European Trade Union Congress rules, it excludes communist unions from France, Spain and Portugal.

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It is among the Government's difficulties with the electricity privatisation that its plans oblige supply companies to buy nuclear power, but create no matching obligation on the generating companies to produce such energy.

Mr David Mellor, health minister, emphasised the breach between the two TUC health unions, Cobse and Nupe, and the Royal College of Nursing, which has criticised the campaign of disruption over the £94.5m re-grading of nursing staff.

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However, producers of other forms of non-fossil power, including windmill, tidal or "hot rocks" power, will not be required to levy a nuclear tax from their customers, offering them a possible small advantage from the scheme.

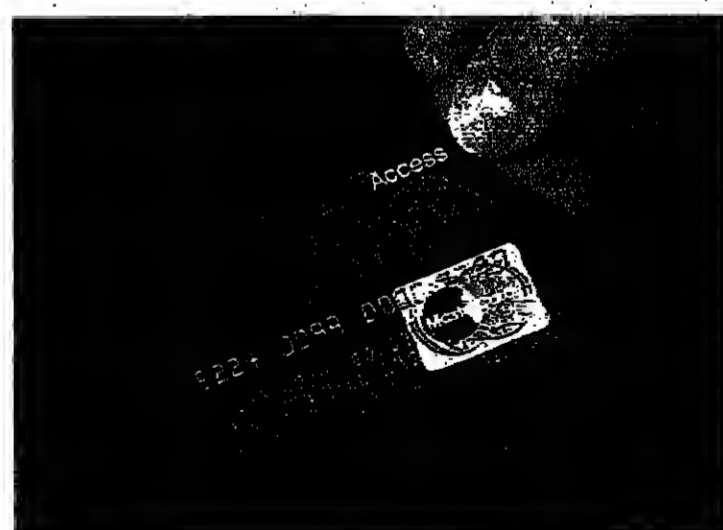
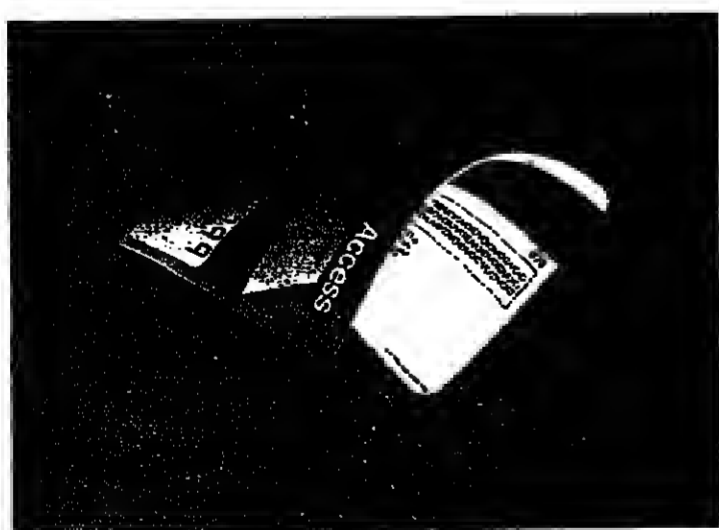
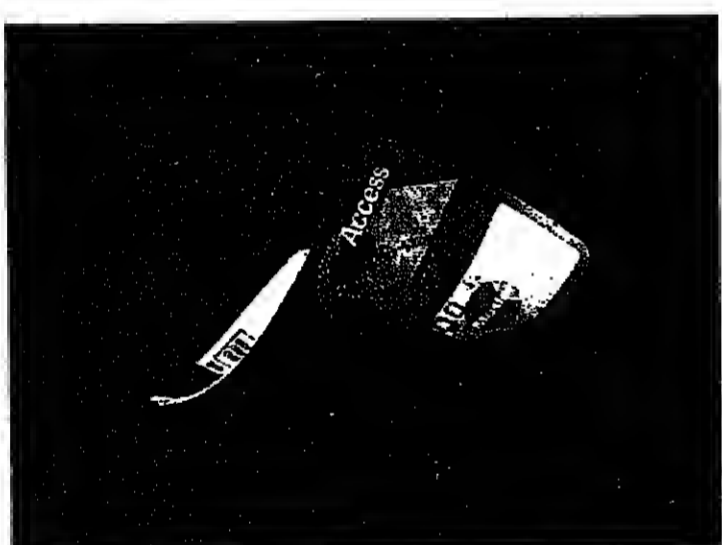
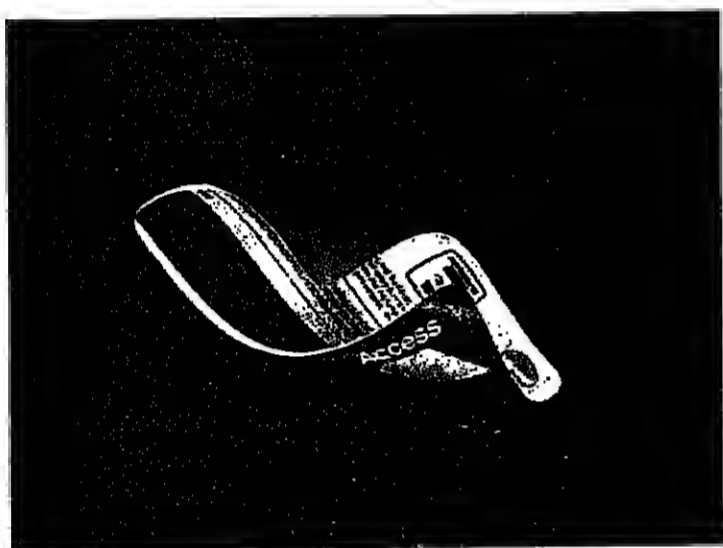
Mr Mellor said that the Government would back any health action against unions for legal action against unions for encouraging working to grade, which has meant many nursing auxiliaries refusing to work unsupervised - without a ballot.

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UK NEWS

# Ministers to pick between US and UK battle tank

By Lynton McLain

A COMMITTEE of senior ministers chaired by the Prime Minister is expected to decide on Thursday whether to buy British or American main battle tanks for the British Army of the Rhine.

An order worth £750m to £1.2bn for 500 to 600 tanks at £1.5m to £2m each is at stake for the only two competitors, Vickers of the UK and General Dynamics of the US.

This is the first time the Ministry of Defence has considered a foreign tank for service with the British Army. It is also the first time an order for British Army tanks will have been decided on the basis of competitive tenders.

The decision to open the contest to foreign competition for the first time was inevitable after the MoD created a monopoly in tank production in the UK, with Vickers the sole supplier, if the MoD was to honour its competitive tendering policy for defence equipment.

Vickers became Britain's only maker of main battle tanks after the MoD abandoned competition between the previous two UK tank makers, Royal Ordnance and Vickers, by selling the RO tank factory at Leeds to Vickers two years ago.

Previous orders had been awarded exclusively to Royal

Ordnance when it was the MoD's own arms and munitions maker, or to Vickers.

The contest has enabled the MoD to drive down the price and call for changes in the specification of the new tank. Vickers and General Dynamics have had to resubmit their bids several times.

Vickers Defence Systems, the Vickers subsidiary which makes the tanks, said yesterday Britain would be in danger of losing its production capability for main battle tanks if the order went to the US.

The company has just over a year's worth of main battle tank orders left for the British Army at its Leeds factory, which employs 1,400 people. It has no tank orders at its Newcastle upon Tyne tank factory, which employs several hundred people, and is seeking export orders for the Vickers Mark 7 tank.

The army wants to replace up to 600 Chieftain tanks in service with BAOR. The prototype Chieftain was tested 29 years ago. It is expensive to maintain and slower to fire and less accurate than current main battle tanks.

The MoD's procurement executive is in the final stages of evaluating the US General Dynamics M1 Abrams and the Vickers Challenger II main battle tanks to replace Chieftain.

# Royal Soviet trip unlikely

By Our Political Editor

THE Government yesterday sought to play down suggestions that the visit to London next month of Mr Mikhail Gorbachev, the Soviet President, could result in an early visit by the Queen to the Soviet Union.

Officials said no such invitation had been issued. They added that it was unclear what had prompted media speculation that Mr Gorbachev would extend one during his planned audience with the Queen during his visit to London from December 12 to 14.

The officials made it clear that Mrs Margaret Thatcher,

the Prime Minister, would advise the Queen against travelling to the Soviet Union at an early stage. Among the considerations would be what Mrs Thatcher regards as Moscow's poor record on respect for human rights.

Buckingham Palace has remained aloof from any discussion about the Queen's reaction to such an invitation, while acknowledging that she would have to take advice from the Prime Minister, but there is thought to be some irritation at the way the issue has been aired publicly in Whitehall.

# Fledgling BZW sends out powerful shock waves

David Barchard continues the series about the impact of Big Bang on securities houses

BZW CHANGES		
	Big Bang	Today
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Overseas offices	6	16
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LAST MONTH, Barclays De Zoete Wedd cut the size for deals on the London Stock Exchange and trimmed its spreads between bid and offered prices. The two moves sent shock waves through many of its competitors and were characteristically forceful demonstrations of how far BZW has come in the two years since the Big Bang reforms of October 1986.

BZW was expensively forged in 1985 out of Barclays' own merchant banking activities; Wedd Durlacher and Morant, one of two main jobbers in the world of the pre-Big Bang stock market; and de Zoete & Bevan, a leading broking firm, for a total cost of £10m.

Clearing banks were newcomers to the securities scene and nobody was sure how they would fit into it. Barclays' own merchant banking activities before the merger were generally regarded as smaller and weaker than those of the other clearers.

By buying large, ready-made businesses, Barclays spared itself the expense and difficulty of a "cold start" but faced an almost equally difficult task of blending the newly-purchased ingredients into a workable whole which would justify its hefty investment.

A few months after it came into being, the fledgling investment bank was hit by the departure of eight partners that it had inherited from Wedd Durlacher, a major setback at the time and - as with its rivals - followed at intervals by other departures, although the bank has latterly attracted a steady stream of new talent to it.

The two years since October

1986 have seen BZW growing steadily in size and prestige while its rivals have been dogged by misfortunes, bad publicity, defections of senior staff and forced to jettison some of their main areas of activity. There is an obvious and almost embarrassing contrast between BZW's history and the troubled record of County NatWest, the securities and investment arm of National Westminster, Barclay's larger rival.

Elsewhere, the record is one of steady advance into new fields such as swaps, US government Treasury bond operations. From being number 23 in the UK corporate finance market in 1986 it has risen to eighth this year.

A poll of 260 leading institutional investors earlier this year showed that BZW was now the third favourite securities house among fund managers, following close behind James Capel and Warburgs. It was an impressive display of how far BZW had pulled ahead of its rivals among the clearing bank's securities and investment arms in the two-and-a-half years since it was set up.

Because of this, BZW's half-year pre-tax profits of £25m announced last August are perhaps more impressive than they look at first sight. The return on capital was 17 per cent, a figure the bank describes as "respectable though not our goal," although



All eyes on the future at BZW

it is double the level of some of the longer-established merchant banks, such as Morgan Grenfell or Kleinwort's.

BZW achieved its profits without ditching large areas of unprofitable business without shedding loss-making operations (unlike the £65m half-year profit of Midland Montagu, for example).

The turnaround was the more impressive given the depressed state of the market after last year's crash, which pushed BZW into ending last year £11m in the red.

Mr David Band, who joined BZW from Morgan Grenfell as chief executive last April, said: "The crash brought a much-needed return to reality in the financial markets but because our fundamentals in sales, research and trading are so strong we feel we remain on track towards our aim of being an international integrated investment bank."

A key factor, both before and after the crash, has been BZW's working relationship with its parent, Barclays, which like the other big clearers had to make a sometimes painful adjustment to living with the risks involved in a securities operation.

Unlike its rivals, BZW has managed to remain relatively independent of its parent and at the same time to develop a distinct identity of its own.

The melding together of the separate cultures of jobbers, brokers, and bankers was probably assisted by bringing in Sir Martin Jacobson from Kleinwort Benson as chairman and giving him additional clout as deputy chairman of the parent banking group. Sir Martin's authority is enhanced by his status as a director of the Bank

BZW is described as "hands off" by Mr Band. "They let us get on with it and we keep them informed beforehand of major developments."

The two banks retain their separate treasuries, further enabling BZW to build up a confident sense of its identity. Its growing assertiveness may explain BZW's ability to attract specialists from other banks, notably Hill Samuel and County NatWest, to fill gaps in such areas as Eurobonds and corporate finance where it is still relatively weak.

One thing the bank does not do, however, is to encourage its own top executives to regard themselves as stars. It prefers them to think of themselves as "street-wise" and "client-wise." There is also a continuing drive to catch up with the market leaders in areas where BZW still sees itself as weaker than some of the competition. In research, for example, BZW has built up its establishment to a total of 22 analysts specialising in European markets, out of a total of 120.

Overseas operations are also expanding. About a third of BZW staff work outside the UK and the bank has steadily beefed up its international presence in the last two years, opening offices in Hong Kong, Singapore, Tokyo and Sydney, as well as Paris, Amsterdam, and Madrid, even if in some ways BZW is still weaker globally than its main rivals - lacking County NatWest's strong Tokyo presence, for instance.

Previous articles in this series: *Shearson, Tuesday, November 8; Lloyds Bank, Monday, November 14.*

# Ashdown rules out pre-election pacts

By Philip Stephens, Political Editor

MR PADDY Ashdown, leader of the Social and Liberal Democrats, yesterday ruled out any pact with either the Labour Party or with Dr David Owen's SDP in the run-up to the next general election.

In a lengthy interview on independent television, Mr Ashdown said that he saw "no reasonable prospect" of a deal with the Labour Party before the election.

Similarly, a renewed alliance

with Dr Owen would mark a "betrayal" of the democratic decisions which members of his party had taken over the past 18 months.

Mr Ashdown, who has just returned from a two-week tour of the country, said that he was confident that the SLD's poor standing in recent opinion polls did not reflect its true level of support in the country. It had fared considerably better in local elections, taking a 31

per cent share of the vote in the most recent such ballots.

He confirmed that Labour would be the main target of the SLD's drive for increased support over the next few years.

Labour, he said, would break up after a further defeat at the next election. That would leave the SLD as the alternative to the government of Mrs Margaret Thatcher.

● The Conservative Party's

# Tidal power data sought

By David Green

AN INDUSTRIAL consortium investigating plans to build a barrage across the River Severn estuary is being asked to submit evidence to the Hinkley Point C nuclear power station inquiry.

The invitation has gone out from Mr Michael Barnes, QC, the inquiry inspector, to the Severn Tidal Power Group, following claims from some participants that generating power from the barrage is

preferable on both economic and environmental grounds.

The group comprises Sir Robert McAlpine & Sons, Balfour Beatty, GEC Power Engineering, Northern Engineering Industries, Taylor Woodrow Construction and Wimpey Major Products.

Findings of a £4.26m study of the barrage plan financed by the STP, the CEGB and the Department of Energy should be ready by the spring.

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UK NEWS

# Water industry surprised by strict regulation plan

By Richard Evans

THE regulatory framework for the privatised water industry, to be disclosed in the Water Bill this week, is much more stringent than the industry had expected and will make it difficult for the City to put a value on the flotation.

"We can just about tolerate the bill as drafted, but the scale of regulation is very harsh. It is going to make a successful sale difficult," said the chairman of one of the 10 water authorities in England and Wales due to be floated off in November next year.

The bill's final draft, a key plank in the Queen's Speech tomorrow, underlines the complexity of the privatisation measure, probably the most politically sensitive of all the Government's public sector asset sales. Present indications are that the industry could fetch from £4bn to £7bn.

There are signs that the bill, which runs to more than 200 clauses and dozens of schedules, has been made tougher to meet the vociferous demands of the environment lobby, and to ensure that its passage through parliament is as trouble-free as possible.

Following publication on Thursday, there will be a Commons second reading debate in the first week of December followed by two or three committee sessions before the Christmas recess, an exceptionally fast programme.

In spite of its length and complexity, the bill is expected



Michael Howard: to steer bill through parliament

to be on the statute book by the beginning of July, several weeks earlier than expected.

The push is necessary because of the need to float the authorities by next November to allow the even bigger electricity privatisation to take place in three tranches beginning early in 1990.

It will be impossible for the City to put any valuation on the water authorities for many months, as too many crucial factors remain undecided. These include the pricing formula, the scale of debt rescheduling - debt will have to be taken from some authorities and loaded on to others - and the ability of the industry to pass on in charges additional costs from European Commu-

nity directives.

These, together with a decision on a government golden share to prevent early predatory takeovers of the fledgling companies, will not be known in detail until much nearer vesting day on September 1 next year.

What will be clear this week will be the scale of the new bureaucracy. The National Rivers Authority, a quango which will assume the authorities' existing regulatory functions, will need a staff of about 6,000. Ironically, this was the figure originally estimated by the industry and rejected as scare-mongering by Mr Nicholas Ridley, Environment Secretary.

One authority chairman said yesterday that the division of the industry between the privatised authorities, or water services ples as they will be known, and the NRA, will mean that an additional 600 jobs will be required.

There will also be a powerful director general of water services to monitor the new ples, the Monopolies and Mergers Commission, the pollution inspectorate, and customer service committees. "The whole bill is drafted as if the ples will be run by a bunch of crooks," said an industry leader.

Mr Michael Howard, Environment Minister, will have the tricky task of steering the Bill through Parliament. There is unease on the Tory as well as opposition benches on some aspects of the legislation.

# Merger plan to breed biological success

David Fishlock examines the proposals for a new national science organisation

TWO COMMITTEES will shortly report to the Government on a proposal that two large national research agencies should be merged to create a Biological Research Council, to raise the profile of the biological sciences in Britain.

One is a House of Lords select committee, the other an expert committee advising the Department of Education and Science.

Scientists, no less than nurses, are being graded. Senior scientists, for the first time in their careers, are being told their research is of low priority, unwanted.

Some are being told they are "unproductive". Others are being asked to move to research considered of higher priority, in which they may have no academic reputation.

Some are being asked to take early retirement. None of this will be novel for the industrial scientist.

However, it is proving a painful new experience for scientists in the Government's research councils, the agencies through which it supports the education and training of scientists.

Of the five research councils, two in particular, the Agricultural and Food Research Council (AFRC) and the Natural Environment Research Council (NERC), have found themselves out of favour in recent years.

Reasons differ, but at their simplest they can be summed up like this. The AFRC has been pursuing good science but in directions that promised mainly to add to the already embarrassing European food surpluses.

The NERC has been pursuing too much research its peers ranked of low quality or low priority.

As a result, the AFRC has had research commissioned by the Ministry of Agriculture,

DES, offset by further cuts to come from the Agriculture Ministry.

An anguished Prof Stewart says "It would certainly be simpler if we had only one financial system."

The prospect of a diminished future led his council to propose what would be the first restructuring of the research councils since they were set up in 1966.

Prof Stewart calls it a "common sense objective." It would merge an AFRC, which spent £106m in the year which ended in March, with a NERC, which also spent £106m.

The NERC, however, sees the future from a different perspective. Although there is a strong biological flavour to much of its environmental research, it could hardly expect to be the dominant partner in a merger creating a Biological Research Council.

Professor John Knill, NERC's chairman - like Prof Stewart, new to his job this year - sees an expanding future for his council.

"NERC's time has come," he says, pointing to what he calls a sea change in public attitudes towards threatening environmental difficulties, and recognition by government that NERC is its agency for analysing those difficulties.

NERC's research disclosed the "ozone hole" in the atmosphere above Antarctica.

The Government has already announced this month that NERC is to get an extra £25m for two main programmes

£25m for its British Antarctic Survey and expanded studies of the ozone hole, and £12m for the British Geological Survey - over the next three years. NERC is confident of getting still more, given the new-found ministerial enthusiasm for tackling environmental issues.

Prof Knill brings two disciplines to his new job - he is both a civil engineer and a geologist.

He says bluntly that

**NERC is to get additional funding for its research into the ozone hole above the Antarctic**

although he is interested in any measure that might strengthen environmental science, the merger idea is driven by biological interests.

Among the advantages of such a merger might be a bigger and stronger research council specialising in basic and strategic biology, possibly yielding savings in the administration of an aggregate staff of some 5,000.

He believes, however, there would be disadvantages. One could be the risk of an internal conflict between research roles relating to exploitation

(agricultural activities, for instance) and to newly emerging environmental worries.

For many of NERC's scientists, such a merger would offer no advantages, as Prof Knill sees it. Many have not even been consulted about it.

Prof Knill, who is still restructuring NERC to accommodate big changes carried out by his predecessor Mr Hugh Fish, expects to lose another 160 staff by next April and is pleading for a respite from further upheaval.

Strenuous efforts were made by Mr Fish to raise the quality of NERC science in face of peer criticism.

Prof Knill believes he takes over both a programme high in scientific quality and a team high in morale.

At the AFRC, Prof Stewart acknowledges that a merger would mean a big upheaval.

He said: "You couldn't simply knock us together." The cost of reconstruction would have to be found by the Government.

At NERC, Prof Knill is more cautious. His view is that any ideas for a merger should be pursued slowly, but meanwhile the two research councils should explore every opportunity to collaborate in their research.

AFRC Annual Report 1987-88  
NERC Annual Report 1987-88

# Development of European fighter set for go-ahead

By Michael Dorn, Aerospace Correspondent

A £6Bn contract for the full-scale development of the European Fighter Aircraft (EFA) is expected to be signed this week between British Aerospace and its partners in the project in West Germany, Italy and Spain, with their respective governments.

Mr Ivan Yates, president of the Society of British Aerospace Companies, said last week in London that this followed the signature to the EFA agreement by the Spanish Government two weeks ago.

"The UK is now back in the fighter business until well into the next century," Mr Yates said.

The EFA is being run by the Eurofighter consortium, based in Munich, and comprising BAs (33 per cent), Messerschmitt-Bölkow-Blomh and Dornier (33 per cent), Aeritalia of Italy (21 per cent) and Construcciones Aeronauticas (Casa) of Spain (13 per cent).

The EJ-200 engine for the EFA is being developed by a consortium called Eurojet Turbo, including Rolls-Royce, Motoren-und Turbinen-Union, Fiat Aviazione and Sener of Spain. Many major groups of equipment companies are also being focused to compete for work on the aircraft.

Current plans envisage more than 800 aircraft being built for the air forces of the four countries, with the first entering service in 1995.

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From Robert Maxwell, Chairman and Chief Executive Officer

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CUSTOMERS, SUPPLIERS, AND FRIENDS**

**AN OPEN LETTER TO THE SENIOR EXECUTIVES OF MACMILLAN, INC.**

November 16, 1988

Today's newspapers are filled with stories of corporate executives who put their personal interests ahead of their responsibilities. My purchase of Macmillan, Inc. provided each one of you with an opportunity to do the same. Under the terms of your personal contracts, you could have elected to invoke "golden parachutes" for yourselves worth many millions of dollars. You did not. Instead, you've made a commitment to stay and to help lead Macmillan into an even brighter future. I am also delighted that William F. Reilly will remain at Macmillan as President.

By refusing to abandon your fellow employees, your customers, the communities you serve and the company you've worked so hard to build, you've set an example for the entire business world to admire and for your peers in corporations around the globe to emulate.

I want to state publicly my appreciation for the selflessness and dedication that each of you has demonstrated. Your commitment to the company, the profession and to the 9,000 people of Macmillan worldwide confirms what I have believed since I first became interested in Macmillan: that its management team is one of the company's most valuable assets.

The days ahead will no doubt be filled with many new challenges. But you have demonstrated that you are equal to the task, and I look forward with great anticipation to working with each of you personally. I have every confidence that as we build on the excellent foundation you have established, our mutual efforts will enable the combined Maxwell-Macmillan company to realize its destiny of leadership in the global publishing industry.

**Robert Maxwell**  
*Chairman and Chief Executive Officer*

PS. I now understand why Mayor Ed Koch telephoned to congratulate me on the purchase of Macmillan. He knew what most keen observers knew. That keeping Macmillan together - rather than breaking it into pieces as others had planned - is best for all concerned. Your actions have made this possible.

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# Year in, year out, Cadbury Schweppes' management gets bigger returns from Down Under.

Over the last few years Cadbury Schweppes' business has been booming in Australia and New Zealand.

Pre-tax profits have risen at a compound annual rate of around 20%. And as if that weren't enough, return on average assets employed has consistently improved to nearly 34% in 1987.

So just how has this excellent growth record been achieved?

In a word, consistency.

Cadbury Schweppes simply applied exactly the same principles Down Under that the Group's management operates over the rest of the world.

### A Capital Idea.

One of the first steps was investment. Capital expenditure over the last five years has totalled a cool A\$155 million. As a result of this policy significant improvements in efficiency and productivity have been achieved.



This in turn helped to liberate funds for marketing investment with the objective of strengthening the existing brand portfolio and providing a firmer foundation for even more growth.



However, organic development is not the only way to grow.

### Good Buys.

Cadbury Schweppes' management went shopping, and with some success.

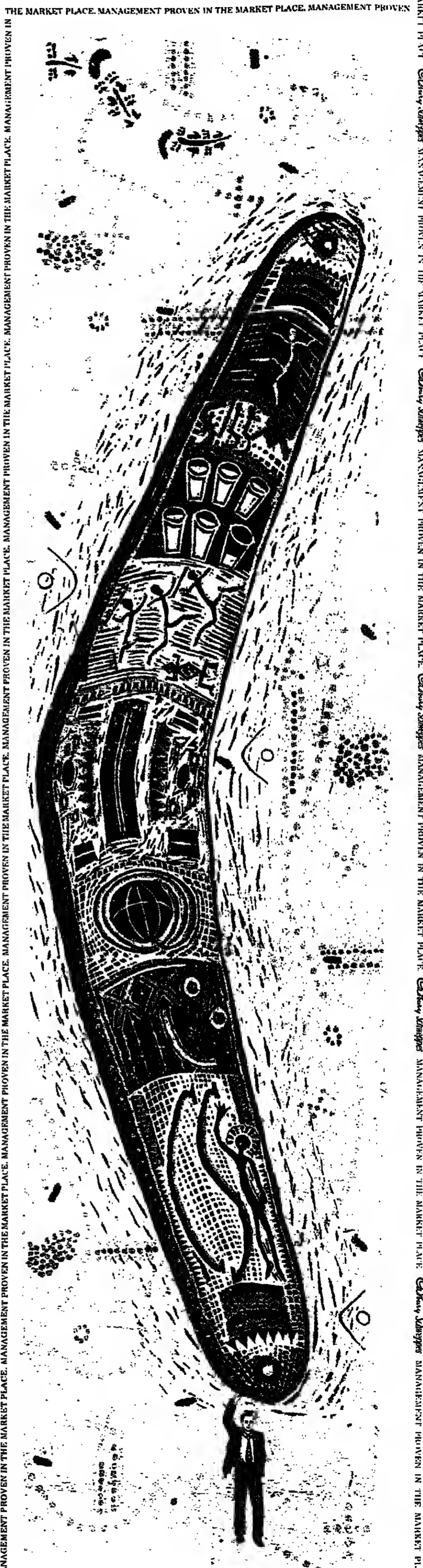
First, the Beatrice operation acquired last year, followed by the Woodroffe soft drinks business. Both acquisitions coming complete with the all important strong local brands.

As Cadbury Schweppes p.l.c. Chief Executive, Dominic Cadbury says, "Profit growth has continued in the first half of 1988 and Australia is just one example of how our management is making the Group's assets work harder for its shareholders".



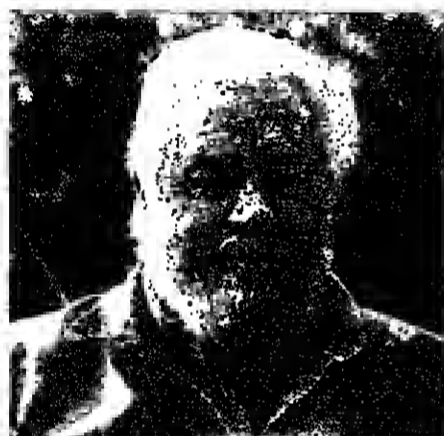
## Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE



# FLIGHT EH 0203 FROM GATWICK.

The Little Owl, *Scops athene*, hunts regularly over Gatwick's 2,400 acres of fields and woods.



*When naturalist Gerald Durrell goes on safari at the world's second busiest international airport, anything can happen. So welcome to Gatwick, where the jumbos co-exist happily with a herd of roe deer and where the first flight from the new £210 million North Terminal was a little owl.*

I have been to see animals and plants in some extraordinary places: frozen Russian tundras, the Brazilian rain forest, burning Australian mountains, the cactus-prickly deserts of Southern Arizona.

I have searched for creatures by helicopter, on horseback, from balloon and canoe; in catacombs and cemeteries, underwater and underground.

But I never thought I would be coming to see animals and plants at the world's second busiest international airport.

It was therefore with a certain scepticism that I boarded the canary yellow Land Rover that was to carry us on our mini-safari to the wilds of Gatwick.

Our guide was Alan Baldock, who has worked at the airport for twenty years and appears to know every field, tree, bird and animal intimately.

The tour began where the River Mole emerges from a concrete culvert that channels it under the main runway.

"See how it's reverting to nature," said Alan enthusiastically. "Fish lurk about in the mouth of it. There are stalactites growing inside and a thriving colony of bats live there."

(I wonder how many of the twenty million people who landed or took off at Gatwick in the last year knew they were doing it over a bats' roost.)

"Look, aerobatics!" cried Lee, my wife, suddenly. Startled, I looked up, but it's not the Red Arrows buzzing the control tower, it was a pair of blue Agrion damselflies.

As they're very sensitive to pollution one would hardly expect to find them at the world's No.2 international airport. (The

new North Terminal, I am informed, will enable the airport to handle some twenty-five million passengers a year.)

With 114 airlines flying in and out - and more international travellers than New York's Kennedy Airport - you'd expect the environment to be inimical to wildlife. But from what we saw, clearly it isn't.

Sticklebacks, roach, dace and even pike swarm in the sherry-brown water of the river, and Lee and I saw the opalescent flash of a kingfisher hunting from bank to bank.

The woods nearby are full of plants with wildly poetic names - Adder's Tongue Fern, Enchanter's Nightshade, Dog's Mercury, and something that should surely be banned from airports - Yorkshire Fog.

We moved slowly downstream, to where the Mole has been carefully diverted to make way for the North Terminal.

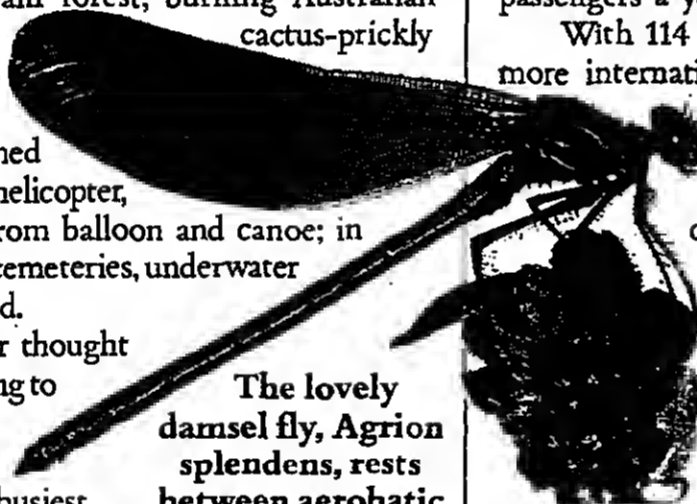
The massive amount of soil this generated was raised into huge environmental banks, which screen the new terminal and house its central heating boilers.

Foxes use them as sun beds and they also provide a fine larder of voles and field mice for the stoats, weasels and owls that live in the area. (Little owls, plentiful in the Gatwick area, often carry leg rings with numbers that sound like airline flights.)

That the ecology is in good shape is evidenced by the presence of so many predators. In a crisis, the animals at the top of the food chain are the first to suffer.

Next on our agenda was the airport's long-term car park where I was amazed to find that, looking down on 14,000 vehicles, I could hardly see them for trees.

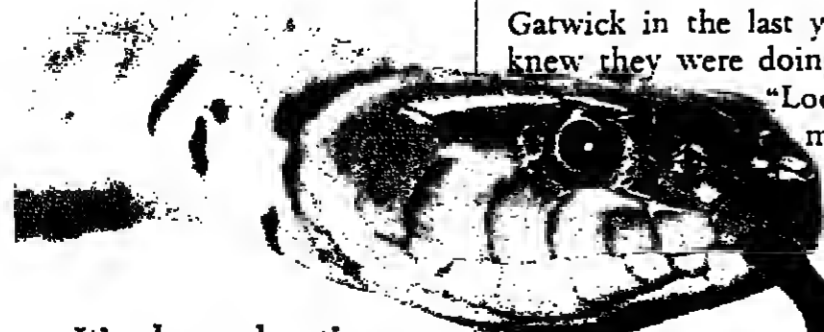
Like many other parts of the airport, it seems to blend into the rolling wooded Sussex landscape. BAA has spent more than £10 million at Gatwick on environmental work



The lovely damselfly, *Agrion splendens*, rests between aerobic stunts.



The Kingfisher surveys his domain on the River Mole.



It's a happy hunting ground for grass snakes.

since the mid-seventies and planted nearly half a million trees and shrubs.

At the height of summer, looking after the airport's fifty yard thick perimeter belt of trees can be a full time job for several men.

The river Mole's new floodplain, Alan said, is to be planted with rare wetland plants. He pointed out a hemlock water-dropwort with its fern-like foliage.

"Deadly," he remarked with gloomy relish. A Bee Orchid and the conversation turned to ops men were the nasty surprises seeking that some of the most innocent looking creatures can give a naturalist.

In Australia, for example, I take great care with the Duck-billed Platypus, so charmingly like Donald Duck in a fur coat, but with venomous spurs on its legs. And I always watch myself around hippos and elephants during the mating season for fear of being mistaken for a rival.

"It can get a bit like that here," said Alan, "in the breeding season. The bucks get all uppity with each other."

Bucks? Did he say 'bucks? But after bats, pike and fine-leaved hemlock water-dropworts, why should it surprise me that there are roe deer living within four hundred yards of the runway. (Kept off it, I should add, by more than a mile of seven foot high deer fence.)

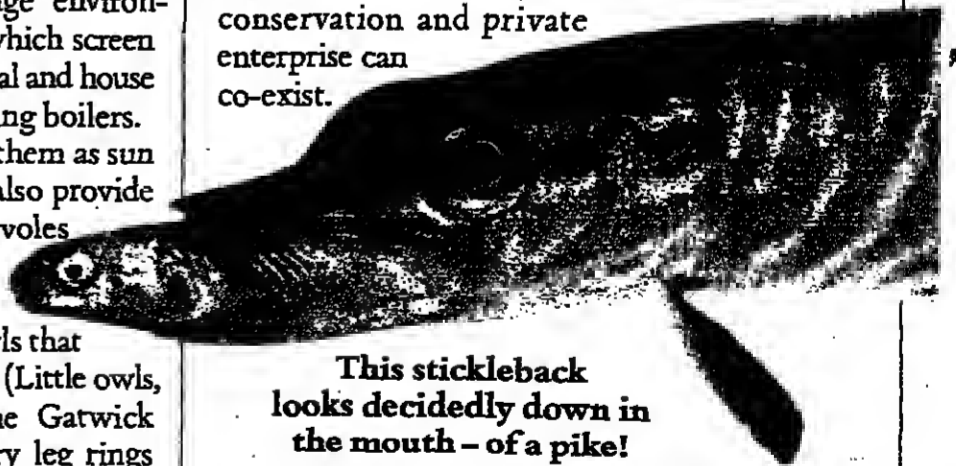
Sadly, the deer were shy, but in spacious green meadows framed with woodland we saw two herons pacing, grey as churchwardens in the hush grass.



Twenty million people each year land and take off within 400 yards of a herd of wild Roe deer.

We soon discovered what they were after. The grass was full of baby frogs, glistening as if newly-enamelled.

All my life I have urged companies that own land to look after it responsibly. Not to damage the ecology. At Gatwick, BAA has shown that conservation and private enterprise can co-exist.



This stickleback looks decidedly down in the mouth - of a pike!

For some time, we had been followed by two airport operations men in a yellow BAA Land Rover.

"Are they afraid I will pinch all your flora and fauna?" I asked Alan. He pulled over and the other vehicle came alongside.

"If you're looking for Bee Orchids, we'd like to see them too," explained the 'ops' men.

It was the perfect end to an extraordinary day.

**BAA**  
The world's leading international airport group.



**APPOINTMENTS**

**Company secretary at Reckitt & Colman**

Mr David Clifford, company secretary of RECKITT & COLMAN, will retire in October 1989. He will be succeeded by Mr David Saltmarsh, who has been appointed company secretary from June 1. Mr Saltmarsh has been group treasurer since 1984. Mr Malcolm Ward, at present regional accountant, North America and Asia, in the group's London headquarters, becomes group treasurer from June 1. Mr Mike Turrell has been appointed managing director of Colman's of Norwich. He succeeds Mr Vernon Bentley who has become president of group subsidiary Durkee French Foods in the US. Mr Turrell joined the company in 1983.

Mr Gordon M.W. Owen, deputy chief executive of Cable and Wireless, and managing director of Mercury Communications, has been appointed a non-executive director of FORTALIS HOLDINGS.

Professor William Taylor, vice chancellor of Hull University, has been appointed

a non-executive director of J.H. FENNER (HOLDINGS). Mr T.P. Thornton, a non-executive director, has retired.

Mr Andrew J. Street has been appointed group company secretary of THE WERNIKER GROUP. He was assistant clerk to Brentwood District Council.



Mr Vincent Davidson has been appointed marketing director of PLATIGNUM. He joined the company in October last year when E.J. Gray (Holdings) was taken over.

**CL-Alexanders senior posts**

Mr George Gibson has been appointed managing director of CL-ALEXANDERS LAING & CRIBBSIANE EURO-SECURITIES. He joins from Deutsche Bank Capital Markets (London), where he was executive director in corporate finance. Mr Steven Astaire, deputy managing director in charge of sales and trading, was with Astaire & Co., as director (Eurobonds). Mr Miles Lawrence remains a director and will be in charge of new issues and capital markets.

Mr Roland Dillon and Mr Lawrence Farrell have been promoted to joint deputy managing directors of TAYLOR WOODROW PROPERTY COMPANY.

Mr Graham Holgate has been appointed to the board of AEROSPACE ENGINEERING. He is executive director of Cooper Merseyside, a subsidiary.

Mr Philip Williamson has been appointed a director of UK LAND, and company treasurer. He joins from Lloyds Bank where he was a divisional manager of UK retail banking.

TSB GROUP has appointed Mr Ted Ethershank as managing director of IUT Commercial Finance, the



Mr Peter Kingsley has been appointed finance director of INA HEARING COMPANY. He joins from Costa Vytella.



Mr John Dangerfield has been appointed financial director of CORNISH BREWERY COMPANY, Redruth. He will also oversee the financial aspects of two associates in the J.A. Devanish group - Devanish Free Traders, Honiton, and Seligman Free Traders, Birmingham.

group's factoring and invoice discounting. He was chief executive of International Factors Ireland, a subsidiary of the Bank of Ireland. Mr Murray Chisholm, marketing controller, has been promoted to operations director.

Mr Ian R. Digne, head of corporate finance, has been appointed a director of MANCHESTER EXCHANGE AND INVESTMENT BANK.

THE SUN LIFE GROUP has appointed Mr Ian Gillespie-Smith as managing director of direct sales subsidiary Sun Life Unit Services. He takes over from Mr John Langton who retires on November 30. Mr Don Sales, previously marketing director, becomes deputy managing director.

Mr Derek Dainton has been appointed to the board of THE MOORGATE GROUP. He is managing director of IETC, a Kelson Group company. Moorgate was recently acquired by Kelson.

AMERICAN EXPRESS has appointed Mr Barry Tyrrell as director of tour operations in London to expand travel product marketing. He joins from Speedbird Holidays.

**Domino Amjet research post**

Dr Richard Frank Mitchell has been appointed research and development director of DOMINO AMJET, Cambridge, the main operating company in the Domino Group. He was international development



manager at Phillips Radio Communications Systems. Mr Frank J. Skinner has been appointed director of sales and marketing. He was sales director of Davy Corporation's Senelco. Mr Gerald W. Klopp has been appointed chief financial officer of Domino Amjet Inc., the group's US subsidiary based near Chicago. He was controller and chief accounting officer, Sargent-Walsh Scientific Company Inc.

Mr Pat Falconer has been appointed managing director of INDEPENDENT RADIO SALES. He was deputy managing director. Mr Brian Mallon has been appointed director - marketing of Crown Communications Radio.

BMEC INDUSTRIES, Birmingham, has appointed Mr Roy Windley as managing director. Mr David Duerdon as financial director. Mr David Fielding as technical director. Mr Brian Coar as marketing director, and Mr Richard Therley as production director of recently-acquired mechanical subsidiary Aero & Industrial Technology, previously owned by Lucas Industries.

**EUROPEAN BUSINESS FORUM 1992 AND AFTER**

ROME, 1 & 2 DECEMBER 1988

The integrated European Community of 1992 is one of the principal themes for discussion at this biennial international business Forum.

The authoritative panel of speakers includes:

Avv Giovanni Agnelli, Ing Carlo De Benedetti, The Rt Hon Leon Brittan, QC, MP, Dr Erik Hoffmeyer, Dr Michael von Clemm, On Bettino Craxi, Professor Romano Prodi, Signor Carlo Ripa di Meana and The Rt Hon Denis Healey, CH, MBE, MP. M. Valery Giscard d'Estaing, former President of the French Republic, will give the Jean Monnet Centenary Lecture.

For further details and registration form, contact:

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**CANADA**

The Financial Times proposes to publish this survey on:

15th December 1988

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds  
on 01-248 8000 ext 4540

or write to him at:  
Bracken House  
10 Cannon Street  
London  
EC4A 4BY



**STILFONTEIN GOLD MINING COMPANY LIMITED**

(Incorporated in the Republic of South Africa)  
(Company Registration No. 05133412/06)

**ANNOUNCEMENT TO SHAREHOLDERS**

Chromes Limited, a company in which Stilfontein has an 80 percent shareholding, announced in its latest quarterly report (which was published on 20 October 1988) that its major customer had requested the cessation of further deliveries of uranium oxide.

That customer has subsequently given written notice of termination of its agreement to purchase uranium oxide. Under these circumstances, Chromes is unable to continue operating on a commercially viable basis, and accordingly the board of Chromes has resolved to cease operations by the end of November 1988. The company's employees have been notified of the situation and the majority of them will be offered alternative employment within the Group.

Chromes has submitted a claim to the customer for compensation flowing from the termination of the agreement. At this stage it is difficult to determine the effect on Stilfontein's earnings, however, shareholders will be kept informed of further developments.

Johannesburg, 21 November 1988

**Associate directors at Burton**

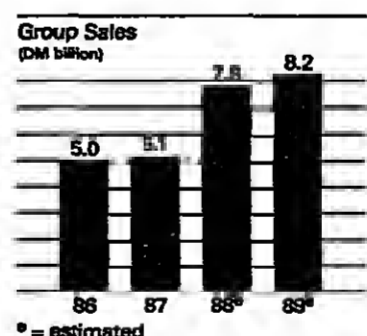
The following have been appointed associate directors of THE BURTON GROUP: Mr S. Campbell, buying and merchandising director; Debenhams; Mr K. Marks, managing director - home, Debenhams; Mr A. Munro, buying and merchandising director, Debenhams; Mr R. Fynn, finance director, Debenhams; Mr F. Hildradle, managing director, Top Man/Champion; Mr K. Hopkins, managing director, retail systems; Mr C. Mizban, managing director, acquisitions and development; Mr G. O'Brien, group financial and planning controller; Mr M. Frutkin, managing director, systems, financial services; Mrs M. Salmon, retail sector and corporate personnel director; and Mr R. Dietz, mergers and acquisitions director.

*"Capital spending in the next four years will be the highest in our history."*



Ranking 4th among the world's tire manufacturers, Continental plans to boost capital spending in the next four years to some DM 3 billion. Besides continuing to invest heavily in its existing plants, the Group will commit substantial funds to special programs in North America and western Europe — without negatively affecting the debt-equity ratio.

In North America, more than \$ 250 million are earmarked to streamline and upgrade production at General



Tire plants which are working at full capacity. General Tire enjoys a strong and growing position in the world's biggest tire market.

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and bus tires. The new plant will combine the finest in European, American, and Japanese knowhow, and will cost some \$ 200 million.

The Group also plans sizeable investments to expand its sales and distribution organizations in western European markets outside of Germany, particularly in Great Britain, France, Italy, and Spain. With 24 plants in Europe, Continental is well positioned for the new unified EC.

The Continental Group, headquartered in West Germany, is a major international producer of tires and industrial rubber products. In the past decade, Group sales have grown by 300%. Sales in 1988 are expected to jump 53% to DM7.8 billion, largely as a result of the acquisition of General Tire in the U.S. in late 1987.

Over the years, Continental has consistently increased sales, profits, and market share. Its far-reaching investment program for the next four years is ample testimony to the Group's commitment to expanding its growth and earnings potential — and to its confidence in the future.

For complete information on Continental, just contact Continental Aktiengesellschaft, Königsworther Platz 1, P.O. Box 169, D-3000 Hanover 1, West Germany.

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Notice is hereby given to the holders of the above Notes and Warrants that, at the adjourned Meetings of such holders held at 12.00 noon and 12.15 p.m. (London time) on 14th November, 1988, the Extraordinary Resolutions set out in the notice convening such Meetings published in the Financial Times and the Luxembourg Wort on 22nd October, 1988 were passed. Accordingly, the modifications to the Terms and Conditions of the Notes and the Warrants and to the Trust Deed and the Instrument by way of Deed Poll constituting respectively the Notes and Warrants have been made with effect from 14th November, 1988 by means of, respectively, a Supplemental Trust Deed and Supplemental Instrument by way of Deed Poll of the same date.

Notwithstanding the option to have their Notes redeemed in cash on 2nd January, 1989 at 107 per cent of their principal amount should deposit their Notes, together with all unexercised Coupons relating thereto, with any Paying Agent between 23rd November, 1988 and 8th December, 1988 (both dates inclusive).

Yves Saint Laurent Parfums S.A., Yves Saint Laurent S.A., 21st November, 1988

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Yves Saint Laurent S.A. is a société anonyme incorporated under the laws of the Republic of France on 15th September, 1981, capital, unless authorized, on 15th September, 2020. Registered office: 5, Avenue Marceau, 75119 Paris. Share capital: 900,442,000 French Francs. RCS number: Paris 8 328 679 907.

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Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares in the Unlisted Securities Market. It is anticipated that no application will be made for these securities to be admitted to the Official List. It is expected that dealings in the Ordinary Shares will commence on 25th November, 1988.

**SelectTV, PLC**  
(Incorporated in England under the Companies Act 1948 with registered number 1407899)

**Introduction to the Unlisted Securities Market**  
acquisition of Witzend Productions Limited  
and a rights issue of 35,580,000 new ordinary shares of 1p each at 5p per share  
underwritten by Guidehouse Securities Limited

Authorized	Share Capital	Issued and fully paid or credited as fully paid
1,500,000	In Ordinary Shares of 10p each In Ordinary Shares of 1p each	1,572,000
500,000		505,800

SelectTV, PLC operates satellite master antenna television systems and is a leading independent producer of light entertainment and comedy drama series for television.

Full particulars of the Company are available through the Extra Unlisted Securities Market Service and copies may be obtained during normal business hours on any weekday (Saturday excepted) up to and including 8th December, 1988 from:

Guidehouse Securities Limited, Ventry House, Greyfriars Passage, Newgate Street, London EC1A 7BA	Richards Butler, 5 Clifton Street, London EC2A 4DD	SelectTV, PLC, 18 Eber Street, London EC2A 2AL
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and during normal business hours on 25th and 28th November, 1988 from Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2A 1DD.

21st November, 1988

MANAGEMENT

The Prime Minister's review of the National Health Service has now reached a watershed. The review team has agreed in principle how the NHS should be reformed; the outstanding issues relate to implementation.



Reform should start with the boardroom

Gordon Best gives his view of what action should be taken in the UK's National Health Service

Implementing significant change in an organisation as large and complex as the NHS is a risky business. More to the point, should the implementation process be mishandled, all of the review team's efforts could be undermined and the NHS plunged yet again into crisis.

Although there are important differences, many of the problems of the NHS have clear counterparts in the private sector. For example, private sector companies often find that their pattern of capital investment in land, buildings and production capacity, limits how they can respond to new demands.

changes required to correct them without strong leadership and clarity of responsibility at the very top of the management hierarchy.

Strong managerial leadership is, however, a scarce commodity. Ideally, it has at least three key ingredients. The first is the ability to fashion a vision of the way things need to be in the future in order to overcome present difficulties.

The second lies in the ability to "sell" that vision down the managerial line in order to motivate those responsible for implementing change. And the third is the ability to clarify responsibility in such a way that each and every manager is clear about what is expected of him or her and how that performance is to be assessed.

The lessons for the Prime Minister's review team could hardly be clearer. If exciting but untested proposals such as independent NHS hospitals and internal markets are to be implemented successfully, then the top of the NHS hierarchy cannot be left intact.

In a position to provide strong managerial leadership for the service. For a start, the board's membership consists of civil servants, representatives of the main NHS professions, politicians and managers; hardly a grouping which in its entirety could be expected to fashion a common vision or provide a consistent managerial lead to those lower down the line.

Equally worrying, there is little clarity of responsibility at the top of the NHS hierarchy. The artificial subdivision of responsibility for management (the Board) and for policy (the Department), overlaid by the separation of hospital services from primary care, effectively ensures that there is little clarity about who is responsible for different aspects of NHS performance.

No such confusion would be tolerated in the boardroom of a well-managed private sector organisation. The NHS "boardroom" requires reform. What the review team must now do is reform it in such a way that it will be capable of implementing those changes which the review itself will set in train.

As a starting point, it should be accepted that the NHS is such a political minefield that Kenneth Clarke, the Secretary of State, will be in the chair in the new NHS boardroom. Directly under and directly accountable to him, there is a need for a strong, respected and experienced manager capable of translating political intent into managerial policy and then motivating managers (and others) to find ways of making that policy a reality.

But if this person is to do Clarke's bidding and maintain his confidence, his energies must be focused primarily on translating political intent into managerial policy and not be diluted through involvement in more operational concerns.

For this purpose, the new "deputy chairman" should be served by two key managers charged with the responsibility of driving the implementation process. The first should be a respected and experienced NHS manager who, in the chief executive role, would be required to sell central policy

down the managerial line while simultaneously testing those policies against the realities faced by NHS managers in the field.

The second key lieutenant should be a respected, practising NHS clinician charged with the responsibility of providing "clinical leadership" for the service. The key role which doctors will need to play in implementing the reforms likely to emerge from the review cannot be underestimated. This role cannot be left to evolve; it will need to be led and driven from the top.

Under this triumvirate should be gathered responsibility for all aspects of NHS management across both the hospital and community health care sectors. Together with appropriate functional managers (eg finance, personnel, etc) this should comprise the core members of the reformed management board.

Attempts to dilute the managerial character of the board should be resisted. In particular, both civil servants and representatives of the NHS professions should be seen as advisers to, rather than members of, the board.

In chairing the board, Kenneth Clarke should provide leadership and seek and expect the best advice in doing so. But he should distinguish sharply between policy advice and formulation on the one hand, and the process of managing the implementation of change, on the other.

If he wishes his ideas and his Government's policies to be implemented successfully, then he should insist on a clear, explicit and unambiguous managerial intent stretching from the board to the point of implementation within the NHS. The alternative is a fragmented vision interpreted differently by different interests with little capacity to implement major reform.

If experience in the private sector is an accurate guide, the success of the Prime Minister's review depends on getting the top of the NHS hierarchy right. And while getting the top right will not guarantee success, getting it wrong will almost certainly guarantee failure.

Gordon Best is director of the King's Fund College, which is involved with organisational and management development in the health service.

Professional qualifications

More institutional contenders

Michael Skapinker on the management training controversy

Supporters of the idea that the British Institute of Management should be responsible for granting national management qualifications argue that there is no other body in the UK capable of doing the job.

Not so, say five other well-established professional organisations. The courses they run could form the basis of a new foundation course in management. The BIM, by contrast, has little experience of granting qualifications or administering examinations, they say.

The five organisations involved are the Institute of Personnel Management, the Institute of Chartered Secretaries and Administrators, the Institution of Industrial Managers, the Institute of Purchasing and Supply, and the Institute of Administrative Management.

Harry Barker, chief executive of the chartered secretaries institute, says that plans to turn the BIM into a chartered institute of management are a "red herring" and do not address the question of how best to provide proper training to a wide group of managers as possible.

"There is no need for such an expensive or complex structure as a chartered professional body, with the rigid strait-jacket of its own examinations," he says.

"It is no need for such an expensive or complex structure as a chartered professional body, with the rigid strait-jacket of its own examinations," he says.

made some progress towards standardising their own foundation courses.

These could be developed into a basic management qualification. After taking a foundation course, managers could then go on to more specialised qualifications.

But aren't these five organisations simply worried about being upstaged by the BIM? Aren't they simply defending their own institutional interests?

Michael Pitfield, assistant director of the Institute of Personnel Management, denies that it is trying to "exclude other organisations. A BIM spokeswoman points out that interested parties are still being consulted on the form that the national system of qualifications should take.

The proposals of the five organisations "will be given full consideration and there will be discussions before any final decision is made. They've got some interesting proposals. We're not saying it's just us."

She added that the chartered institute of management would have places on its council for other interested individuals and organisations, whose qualifications could also be accredited.

model of the National Council of Vocational Qualifications, which doesn't issue its own qualifications, but accredits those of others - including management development on the job.

"It should give employees a nationally credible qualification which is recognised by employers across the land. That is what managers want - a credible set of qualifications with which they can travel."

The BIM, for its part, denies that it is trying to "exclude other organisations. A BIM spokeswoman points out that interested parties are still being consulted on the form that the national system of qualifications should take.

The proposals of the five organisations "will be given full consideration and there will be discussions before any final decision is made. They've got some interesting proposals. We're not saying it's just us."

She added that the chartered institute of management would have places on its council for other interested individuals and organisations, whose qualifications could also be accredited.

Management abstracts

People productivity: marketing's most valuable asset. A.J. Magrath in The Journal of Business Strategy (US), July/Aug 88 (3 pages)

Discusses how marketing management in the never-ending search for increased productivity attempts to reduce sales costs, expand distribution, and speed up new product development. Sees marketing skills as the keys to success, and points to the talents, eg computer literacy, that marketers should possess and develop; outlines how to encourage a greater yield from such talents. The myth of globalisation. S.P. Douglas and Y. Wind in the Columbia Journal of World

Business (US), Winter 87 (11 pages)

Argues that effective global marketing strategy does not necessarily entail the marketing of standardised products and global brands worldwide, but should include strategic options, based on clusters of countries or consumer segments according to the product's particular attributes. Following an analysis of the forces affecting product globalisation, the result could take the form of a mix of strategies related to country characteristics and customer preferences; and to potential synergies from international operation.

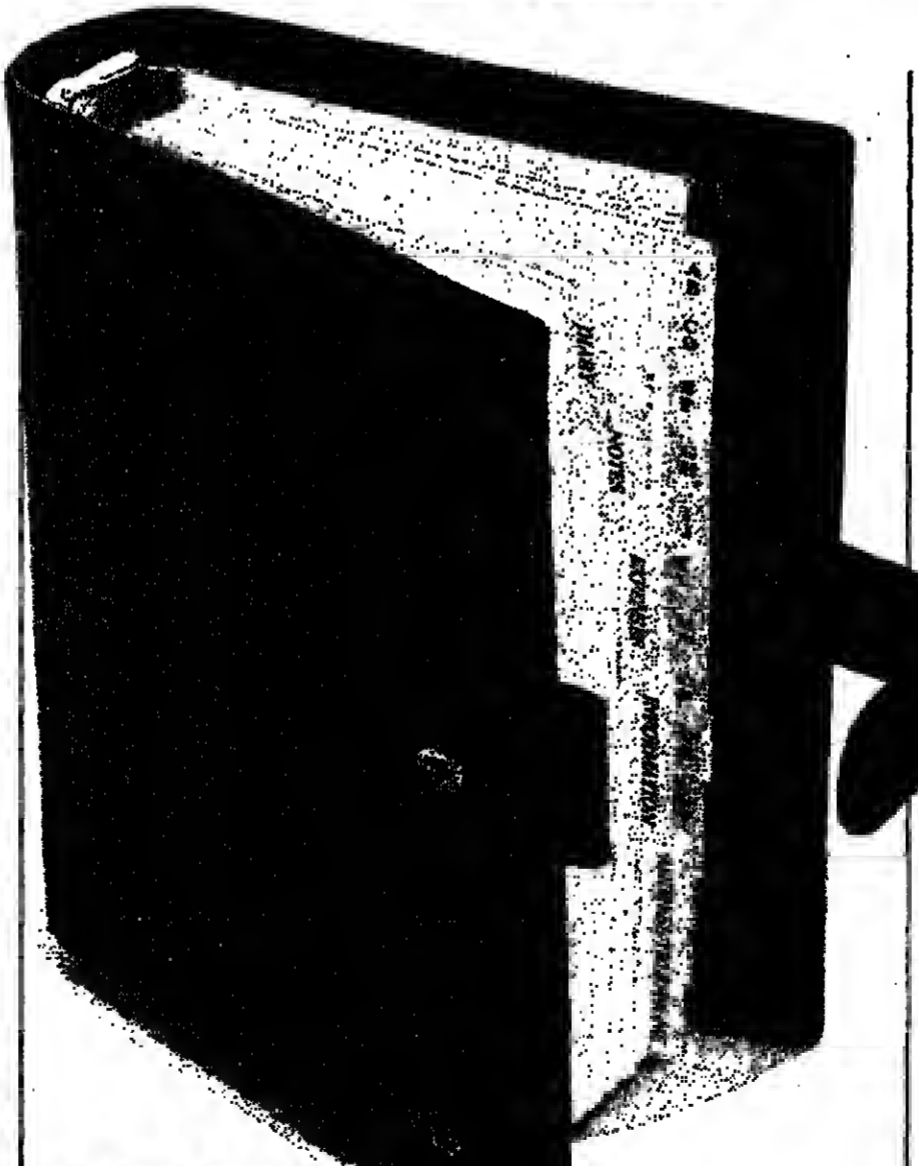
Reports that merit-pay programmes (increases awarded largely on the basis of individual performance) are losing popularity (in the US), while other pay-for-performance schemes are becoming more widely used.

Sets out conditions in which merit pay will continue to be applied and introduces the concept of matrix-formatted guidelines; explains how these work. Reviews other approaches, including a "lump-sum award determination matrix". While this approach is said to be gaining in popularity, it is suggested that it can be combined with merit pay.

These abstracts are condensed from the abstracting journals published by Amber and ProQuest. Full-text versions of the original articles may be obtained at a cost of £6 each (including VAT and postage) from the Financial Times, 7th Floor, 100 Cannon Street, London EC4A 3DF.

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ARTS

ARCHITECTURE

Genius restored

Colin Amery visits Sir John Soane's Bank Stock Office at the Bank of England

This week the bells of St. Paul's should be rung in celebration of a glorious resurrection. The Bank of England has, as part of the enlargement of its museum, rebuilt the great Bank Stock Office by Sir John Soane. The result, which can be seen by all as part of the museum, is one of the finest and historically one of the most significant Neoclassical interiors in Europe.

with his architectural career is preserved in the Bank of England, which he left to the nation. There are two chests of accounts, a mass of correspondence, 14 bill books and over 600 drawings dealing with the Bank of England. It is this miraculous archive that has made possible the accurate restoration of the Bank Stock Office, together with detailed measured drawings by F.W. Trump made before Baker's demolition in 1924.



The Bank of England's Bank Stock Office restored to the original designs by Sir John Soane of 1792 is part of the new museum.

the part of the Bank of England to restore it. Any visitor would be well advised to follow it by a visit to the Sir John Soane Museum in Lincoln's Inn Fields, where the detailed and glorious watercolours of the whole of the Bank can be examined.

buildings have a "temperament," which is not the same thing as character since it is a quality that verges on the poetic. Schinkel had it too, in Germany and Ledoux in France, but it is the rarest architectural gift.

Bryars, Rihm, Ruders

SOUTH BANK, RADIO 3

An evening of Gavin Bryars is a relaxing, civilised affair; nothing grates, the performances are always instinctively musical, and surprises are always teasingly scattered along the way. The programme that the Gavin Bryars Ensemble has been touring for the Arts Council Contemporary Music Network is a nicely planned survey of his works from the last decade, including a foretaste of his chamber opera, Dr. O's Experiment.

scene, in which much of the preceding scenario is recapitulated by the main female character. It was sung here with compelling force by Sarah Leonard, and many of its ideas had memorable identities, as instrumental lines snaked around the voice to create a dream-like narrative. Bryars' earlier opera Medea has yet to be seen in Britain, and Dr. O is still to come to fruition. Doubtless an opera-house commission would hasten the process. Meanwhile ENO makes us suffer an imported inanity like Philip Glass's The Making of the Representative.

was the final element in an invitation concert from the BBC's Maida Vale studios last Thursday, broadcast on Radio 3. Completed in 1983, it is the most substantial of Ruders' works to be heard in Britain - a 20-minute piece to the contradictory fascinations of New York, in which his long-standing preoccupation with the permutations of change is used to produce music that is both rigorously controlled and energetically muscular.

Bartók Series

FESTIVAL HALL

This final concert of the Bartók series on Thursday night was dedicated to Antal Dorati, who died last Sunday week. During a long and distinguished association with the London orchestras, this conductor gave the impression that countless composers were close to his heart, but probably none was more so than Bartók, to whose music he always brought the deepest understanding.

to artists of the finest stature. Szabadi is that marvellous happening: a young player who springs upon the public fully-formed in every way. The technique is of the type that can be forgotten, not just because it is clear from the first bar that he will be able to play all the notes, but because he so clearly uses it as the means to an end and his performance of the Second Bartók Violin Concerto duly unfolded as the most intuitively musical of readings.

Richard Fairman

Line

ORANGE TREE, RICHMOND

This 75-minute psycho-symbolic cat's cradle for quintet of looks-saw-the-light-of-absurdity days in New York in 1968 (Richard Dreyfuss taking over one of the roles from the author's off-Broadway revival is now in its fourth year) is now in its fourth year. The Orange Tree programme informs us, in France the play is "in its twelfth year of continuous performance." These credentials give us a clue as to why, as the programme also points out, the author's work is rarely seen in Britain.

Intellectual... A bearded beer-swilling slob stands in the middle of the tiny acting space, as the audience stares. He mumbles and sings, having waited patiently all night - for what exactly, we never learn. A young man with a transistor and headband, faintly Dylanesque, asks "Is this a line?" (another queue) and the seeds of rivalry are sown. A mini-skirted blonde is casually talked into joining the queue: a roughneck; the blonde's wimpy husband. The latter refers hopefully to going to a movie but nobody clarifies, or seems to know, what the queue is for.

go to, the urgency of acquiring position - whatever position - are conveyed by the bluff, double-crossing, threats, coercion, rhetoric and physical violence that ensue. Symbolism runs riot for the conclusion, when the tape that embodies the line is eaten then disgorged by the young man, each character unwinding a length from his mouth to claim as his or her own section of the queue. James Harnerstein directs first-rate performances from a company with no phoney American accents between them - luxurious casting in order to the British stage, is both glamorous and sleazy as the wife who combines sexual scorn with a glimpse of pathos; her ineffectual husband is played by Michael Fitzpatrick, another American, with a faint look of Dan Aykroyd about him. The cast is completed by Ron Travis (discrete and slow-witted) and Ron Berglas (playfully aggressive); and a newcomer to this country, Steven Gefroh, on loan from the Milwaukee Repertory Theatre, who plays the boy with incisive intelligence and sensitivity and is very welcome.



The blonde and the rough: Serreta Wilson and Ron Berglas whirl happily

Pop: Yesterday and today

TOWN AND COUNTRY/LSE

Well, was it the dawning of a new age of Aquarius or a gathering of the most doomed collection of cock-eyed optimists since the last meeting of the Govan Labour Party? Only the girl in the darkest corner, pouring over the patterned card, could tell, and she was looking depressed. There were not many takers for the incense burners, the Tiger Balm, or the twenty-one different brands of cigarette papers, either. As ever the best business was at the bars.

dours to those artists you thought were either dead, dolphin farming, or sticking joss sticks in their pony tails in a safe place, the likes of Robin Williamson (half the incredible), John Renbourn, and Uncle Ray Harper, who was due to disappear into the mystic around midnight.

attractive antidote to the tacky commercialism of the age, but, although it was encouraging to hear so many new songs from new names, the Festival had the feel of a creative trickle rather than that of a cleansing torrent. As Danny Thompson, still pentangling away on the bass with a new band Whatever, launched into a mournful tribute to the late folkie Alex Campbell I knew it was time to return to reality and catch the end of Sarah Jane Morris at the LSE.

ARTS GUIDE

MUSIC

London Beethoven Plus, a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall (928 3191). Royal Philharmonic Orchestra, conducted by Yuri Temirkanov, with Oleg Kagan (violin), Tchaikovsky, Royal Festival Hall (Tue) (928 8900).

London Symphony Orchestra, conducted by Michael Reinhardt, Shostakovich, Bartokian Hall (Thurs) (928 8900). Paris Orchestre Colonne conducted by Pierre Dervaux, with Teddi Papayannis (violin), Jean Mendelsohn, Muscovsky/Bavel. (Mon) Salle Pleyel (46288777). Ensemble Orchestral de Paris conducted by Armin Jordan, with Margaret Price (soprano), Haydn, Mozart, Beethoven, Prokofiev. (Tue) Salle Pleyel (46288777).

Boston London Symphony Orchestra under Michael Reinhardt, Beethoven, Shostakovich, Beethovenhalle (Thurs). Frankfurt Polish National Symphony Orchestra with Konstanty Kulka (violin) conducted by Antoni Wit, Nominzko, Schumann and Wieniawski. Alte Oper (Mon).

Berlin Orchestre de Paris with pianist de Royer and Peter de Jong in mime. Teatro Olimpico (Wed) (928304). Emmaus di Pasquale (piano), Beethoven, Schubert, Chopin, Andriessen, Ravel, Liszt, in collaboration with Norwegian Embassy, Teatro Ghione via Delle Formiche 37 (Thurs) (6372294).

Amsterdam Royal Conservatory Symphony Orchestra, Rijnbergt de Leeuw conducting the Cage (Tue). Royal Concertgebouw Orchestra conducted by Carlo Maria Giulini, Schubert, Brahms. (Wed, Thur) Recital Hall, Eugene Izsaszon (piano), Bach, Beethoven, Chopin, Concertgebouw (Wed) (718 345).

November 18-24

SALEROOM

Keeping the world British

While the heritage lobby gives itself up to keep in this country the Mappa Mundi, the great treasure of Hereford Cathedral, which is now on the market to raise at least £2.5m, to ensure the building's future, (it is inconceivable that such an important national symbol should even flirt with the possibility of a sale overseas), Sotheby's offers another less contentious but almost as important map on Tuesday.

Christie's is supporting a good cause tomorrow when it offers a very important VC for the benefit of A Medal for Life, a charitable trust that helps children with leukaemia. The medal was awarded in 1916 to Captain William Lefse Robinson of the Royal Flying Corps who achieved great fame by shooting down a Zeppelin over London. The medal has aroused much interest and carries a top estimate of 250,000.

Advertisement for Sandeman Founders Reserve Port, featuring an image of a bottle and the text 'NO LONGER RESERVED FOR THE ENGLISH'.

Utrecht Bruno Leonardo Gelber (piano), Beethoven, Recital Hall (Mon). Royal Conservatory Symphony Orchestra, conductor Reinbert de Leeuw. The Cage (Wed). Vienna Austrian State Television and Radio Orchestra with the Neues Wiener Vocal Ensemble, conducted by Sir Charles Mackerras, with Elaine Woods and Maria Vesuti (soprano), Robert Brooks and Helmut Wildhaber (tenors). Schubert, Musilverein (Fri). Austrian State Radio and Television Orchestra, Wiener Mozart Festival. Conducted by Sir Charles Mackerras with Margaret Marshall, Ann Murray, Adalms Scarsball, and Sona Ghazarian (soprano) Benedict Kobel and Ryland Davies (tenors). (Thur) Konzerthaus.

Chicago Chicago Symphony Orchestra conducted by Zubin Mehta, with Marvin Martin (soprano), Maurice Foster (contralto), Mahler. (Tue) Orchestra Hall. Chicago Symphony Orchestra conducted by Zubin Mehta, with Pierre Laurent Almarat (piano), Messiaen, Orchestra Hall (Thur) (435 8123). Tokyo Bayreuth Staatsoper special concert conducted by Wolfgang Sawallisch, with Kurt Moll, Peter Schreier, Julia Varady, Gertrude John, Beethoven, Missa Solemnis. Suntory Hall (Mon) (505 1001). Japan Oratorio Association conducted by Hirofumi Misawa. Mozart Requiem. Tokyo Cathedral (Mon) (824 7337). Hermann Frey, Schubert, Die Winterreise. Suntory Hall (Wed) (505 1010).



EC Commissioner Willy de Clercq defends the Community's anti-dumping policy against its critics

LOMBARD

Time to put the squeeze on pay

By Samuel Brittan

As the world's largest...

Fair practice, not protectionism

Because the Commission has nothing to hide in this area, it welcomes public debate on its anti-dumping activities. Unfortunately, however, much of the recent press commentary on its actions is exceptionally misleading. To the extent that it results from genuine ignorance of the Commission's activities, such commentary can be regarded with tolerant amusement. But in other instances, the bias shown often reflects views long advanced on behalf of those found to have dumped which have already been decisively rejected by the European Court of Justice. It seems, therefore, that the dumpers are now using their money to mount a media campaign, as a last resort, and there is a need to react to it.

Even though some academics still indulge in debate on the economic rationale for anti-dumping, the principle that injurious dumping is to be condemned is now firmly embodied in the General Agreement on Tariffs and Trade (GATT). Moreover, all major trading countries take anti-dumping action not only the Community, the United States, Canada and Australia, but also most EFTA countries, Korea, Japan and Mexico. There are several reasons for this approach, not the least being that dumping is considered to be unfair since it is based on an artificial, rather than a true competitive advantage. In the sense that the low price does not necessarily result from cost-efficiency, it has also to be remembered that dumping is made possible only by market isolation in the exporting country, due primarily to such factors as high tariffs or non-tariff barriers and anti-competitive practices. This prevents the producers in the importing country from competing with the foreign supplier on his own ground, while allowing him to attack their domestic market by sales which are often made at a loss, or are financed from the profits made from the sale of the same or different products in a protected domestic market. If anyone has doubts on the fairness of such action, he should ask the business community whether they consider it fair to compete against exporters who have accumulated super-normal profits while operating behind closed doors and then used these funds to attack the export market.



Price undertakings are frequently accepted as an alternative to the imposition of anti-dumping duties. Thus, in the last two years, of the 45 investigations resulting in the application of anti-dumping measures, 33 were concluded by the acceptance of undertakings whereas only 12 resulted in the imposition of duties. It will be apparent from the above that the Community's anti-dumping policy in no way resembles the protectionist caricature which is sometimes portrayed. There is no question of the Community using its anti-dumping procedures as a substitute for its industrial policy or to strengthen its hand in bilateral negotiations.

It is probably in connection with the method of calculating the margins of dumping that recent press articles have most repeated in parrot fashion the arguments of the dumpers. These arguments have been so decisively rejected by the European Court of Justice that the challenge to the Commission's methodology in this area has, in the Financial Times' own words, now collapsed.

facts and the method applied. Finally the decisions imposing anti-dumping measures, or closing the investigations, set out in detail the facts and legal considerations on which the findings are based. Another feature of the Community's legislation is its provisions relating to so-called screwdriver operations. These were necessary in view of the evidence that the duties imposed on imports of certain products were being circumvented. In discussions prior to their enactment, the authorities of certain exporting countries took the view that the provisions envisaged were too stringent. Community producers, on the other hand, claimed that they were too lax. The Community's main concern, however, was to guard against the flagrant circumvention of anti-dumping duties while ensuring that the provisions did not deter genuine inward investment. This aim seems to have been achieved. Direct investment from Japan into Europe increased by about 90 per cent in the year following the introduction of the provisions. Furthermore, in the investigations carried out, it was found that the assemblers have been able to switch the source of their components with comparative ease and once this happened the Community readily accepted undertakings from the assemblers and removed the duty on the assembled product. Although the Japanese authorities have raised this question within the GATT, the Community is confident that it will be able to justify its action in this forum. In any event, the Community is not the only GATT party to include provisions on circumvention in its legislation. Similar provisions have been included in the United States 1988 Trade Act. But unlike Community provisions, those of the US may be applied to assembly in third countries as well as in the importing country. Moreover, a wide margin of discretion is left to the administrators and there is no provision for the acceptance of undertakings as an alternative to the imposition of duties on the assembled product. Finally, it has been reported that between 1980 and 1985 the average ad valorem rate of the definitive anti-dumping duties imposed by the Community was as high as 23 per cent. Taken on its own, the statement managed to convey the impression that anti-dumping actions result in a high degree of protection. To give a more balanced picture, it is worth pointing out that almost as many complaints were rejected in the period as those which led to the opening of an investigation. Moreover, definitive duties were only imposed in a fifth of the investigations concluded, and more investigations were terminated without measures being applied than those resulting in definitive duties. In addition, well over twice as many investigations were concluded by the acceptance of price undertakings than by the imposition of duties. The author is European Commissioner for External Relations

After many years on an excessively high plateau, UK pay increases have been drifting upwards and are now around 9 to 9 1/2 per cent - something not seen in the previous inflationary alarm in 1985. The escalation cannot be explained away by overtime, which has remained stable over the last year. But should we worry? Some industrialists tell us that pay rises offset by productivity improvements are of no concern. The claim is only remotely plausible in manufacturing. Even here the ultra-rapid productivity rises during an unsustainable boom cannot be expected to persist, however optimistic one is about supply side improvements. Moreover, how industry responds when productivity decelerates is a matter of public concern. If it reacts by shedding more workers rather than by clamping down on pay, the service sector may no longer be able to absorb the outflow and the present highly welcome fall in unemployment could come to a halt or even reverse itself as that may do. But as that as it may, do excessive pay increases matter for inflation, as distinct from jobs and general economic flexibility? They do. Whatever happens in manufacturing there is not the slightest chance of 9 per cent plus earnings increases being offset by productivity in the economy as a whole, where the underlying productivity increase can hardly be more than 4 per cent per annum, even if one adds to the official estimates. On a monetary view of inflation, pay rises are indeed a symptom, or at most a link in the transmission mechanism. But when direct measures of monetary growth or domestic spending in nominal terms are way above official objectives the labour market symptoms need to be taken extremely seriously. The apparent one-month improvement in the monetary indicators in October does no more than reverse earlier unfavourable blips. In practice, excessive pay rises are being driven from the profit side in the private sector and by emulation or labour scarcity in the public. The restoration of profitability in British industry after nearly two decades of depressed or negative real rates of return is one of the brighter sides of the Thatcher experience. But one can have too much of a good thing. The momentum of pay increases will not be broken until profits come under greater pressure than business is expecting at present. Such extra pressure on profits in turn requires an upward realignment of sterling of a good 5 per cent - either spontaneously in the market place or under the impulse of further base rate increases. There are two Whitehall arguments against such a course. The first is fear of anti-inflationary overkill. Here the economic forecasters are simply joining the stock market which has a good record in forecasting eight of the last five recessions. The second argument is fear of the knock-on effects of higher mortgage rates on the retail price index - and in turn of the knock-on effect of the latter on pay deals. Too much attention is being paid by the old industrial establishment to the unfortunate threshold effects of supposedly key pay deals, above all Ford. In general, talk of knock-on effects is used by lazy industrialists to justify pay increases they would in any case be offering. Greater difficulty in affording higher pay is far more important than trying to massage the RPI by avoiding otherwise necessary increases in interest rates. Knock-on and pay round effects are now probably much less important than the talking classes imagine. This much at least must be credited to the Thatcher revolution. Outside the declining minority of establishments still dominated by old-fashioned pay deals, most working people and their managers are well aware that pay depends on what employers can afford and not on the statistical aberrations of particular indices. It is about time that economic policy making caught up with a new mood. Even personal reputations will depend much more on the general sense that inflation has been decisively reversed than the exact size or timing of next year's RPI peak.

LETTERS

Accountants in academe

From Mr W.L.J. Mordy. Sir, David Thomas reported on the problem of encouraging qualified accountants to enter the academic world (November 14). He correctly identified the differential between academic and professional salaries as the main hurdle to be overcome. Several other points are worth making in this context. As Mr Thomas remarks, the accountancy profession is examining ways of extending additional help to its academic colleagues. The profession is already providing about £800,000 a year to academic departments, plus a substantial but unquantifiable amount of free part-time teaching and tutorial help.

The size of the staff recruitment and retention problem formed by accounting departments in universities and polytechnics, however, is now so large that it is unrealistic to expect it to be solved by private donations alone. The problems of the accounting departments are only one part of a wider picture. In a number of other disciplines (for example, law, electronics, computing, business education and some aspects of engineering), departments face similar difficulties in attracting people of the right quality. Again, the private sector can only play a limited role in helping to tackle these difficulties.

The main response to the salary problems in all these market-related subjects must come from the Department of Education and Science and its new funding institutions for higher education. Only thus will the Government be able to implement its policy that student and employer demand should be an important determinant in the level of teaching provision for particular subjects. W.L.J. Mordy, Chairman, Education and Training Directorate, The Institute of Chartered Accountants, Chartered Accountants' Hall, Moorgate Place, EC2

Exchange rate stability

From Mr W. Grey. Sir, In his recent FT interview (November 10), the Chancellor said the climate created by greater exchange rate stability of late had done much to improve world economic performance. Among its beneficial results he singled out faster economic growth worldwide and, in particular, a worldwide investment boom. That flexible exchange rates, far from constituting the automatic adjustment mechanism their proponents had claimed, would complicate investment planning, and so retard investment and growth itself, was predictable. Nevertheless it was gratifying to have the opposite officially confirmed. Perhaps, after years of benign neglect, those much-maligned architects of the Bretton Woods regime deserve a belated pat on the back. Even so, the present situation, though "markedly better," in the Chancellor's judgment, still leaves room for further improvement. The commitment to exchange rate stability is not everywhere yet as steadfast as it might be. That is, of course - as the Chancellor doubtless realises - one of the reasons why full (not just shadow or fair-weather) membership of the European Monetary System remains so essential. W. Grey, 15 Arden Road, Finchley, N3

Steadily adding more solicitors to the Roll

From Mr R.C. Harvey. Sir, Mr Ben Williams claims in a recent letter (October 31) that the Law Society has failed to plan effectively for the longer term training needs of young law students. He seems to be unaware of the facts. First, to cope with the current shortage of solicitors, the majority of places for the training of solicitors, is increasing the number of places dramatically. A new branch is opening in York in 1989 which will provide 600 more places. Taking these places and further places made available this year for both final students and the non-law graduates taking the Common Professional Examination, the number is increasing by just under 30 per cent over the three years 1987 to 1989.

Restrictions on funding, those polytechnics which provide the remainder of the training have, on the whole, been unable to increase their places. However, a number of other polytechnics have recently been authorised by the Law Society to teach for the Common Professional Examination and there are applications in the pipeline for polytechnics to teach both for the final examination and the Common Professional Examination. It is difficult to see how, in the light of these facts, which have been made public, Mr Williams can say that the position is unlikely to change within the next three years. There has been on average a net increase in the number of solicitors admitted to the Roll of just under 2,000 a year over the last decade so that the practising profession has increased from about 50,000 to about 58,000 today. Given the increase in places, the number of students passing the final exam in 1989 is likely to be in the region of 2,900 compared with 2,300 in 1988 and about 2,000 in 1987. R.C. Harvey, Chairman, Training Committee, The Law Society, Insley Court, Redditch, Worcestershire, B98 0TD

There should be little difficulty in sustaining successful criminal proceedings against London Underground. Unless such proceedings are instituted by the Director of Public Prosecutions in these circumstances where the Health and Safety at Work Act clearly applies (unlike the Herald of Free Enterprise disaster, where it did not), then no employee or member of the public can feel protected against negligence of management, however gross that may be. R.N. Couk, Vernon House, Grimsdaleford, Sheffield, South Yorkshire

Health and safety at work legislation should be invoked

From Mr R.N. Couk. Sir, It is difficult to understand how your legal correspondent can write about the criminal implications of the King's Cross disaster (November 12) without once mentioning the Health and Safety at Work Act 1974. He seems to show the same lack of appreciation of the important piece of legislation as the railway inspectorate, which was properly criticised in the Fennell Report for failing to implement it during inspections. While it is true that prosecutions for manslaughter following major accidents have always failed in English courts

because of the difficulty of demonstrating a guilty intent, prosecutions of corporations and individuals, where individuals can be directly linked to the offence, should succeed under the Health and Safety at Work Act. Proceedings under the legislation in the Crown courts carry an unlimited fine; recently BR was fined £750,000 for serious contraventions at a Scottish refinery. Nor do I think that the prosecution of corporations is contrary to legal policy, as suggested by Mr Hermann: Factors for almost 30 years, I prosecuted state corporations as

well as public companies under the various acts relating to health and safety at work. In most cases, the fines that were imposed caused little hardship, but nevertheless directors never liked the publicity which accompanied such prosecutions. In this way effective pressure for improvement in health and safety standards was achieved. This pressure is much greater than any action for civil damages, which usually only comes before the courts many years after the event. From the evidence heard by the King's Cross inquiry and recorded in the Fennell Report,



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# FINANCIAL TIMES COMPANIES & MARKETS

Monday November 21 1988

### Vent-Axia

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## INSIDE

### Virgin poised to quit the stock market

Shareholders in Virgin, the British leisure group headed by Mr Richard Branson, are expected today to approve a management buy-out of the group two years after the group came to the stock market. It will be the biggest buy-out of a quoted British company. But, with Virgin's profits expected to rise healthily in the 1990s, the move also raises questions about shareholders' investment horizons. Page 38

### A surprising Eurobond success

The past week hardly seemed the ideal time to launch dollar straight Eurobonds, with the US currency under pressure, market jitters over publication of the latest American trade figures and the threat of rising interest rates. But despite this, a couple of deals proved an undoubted success. Dominique Jackson looks at the state of the market. Page 24

### Management of the business through thick and thin

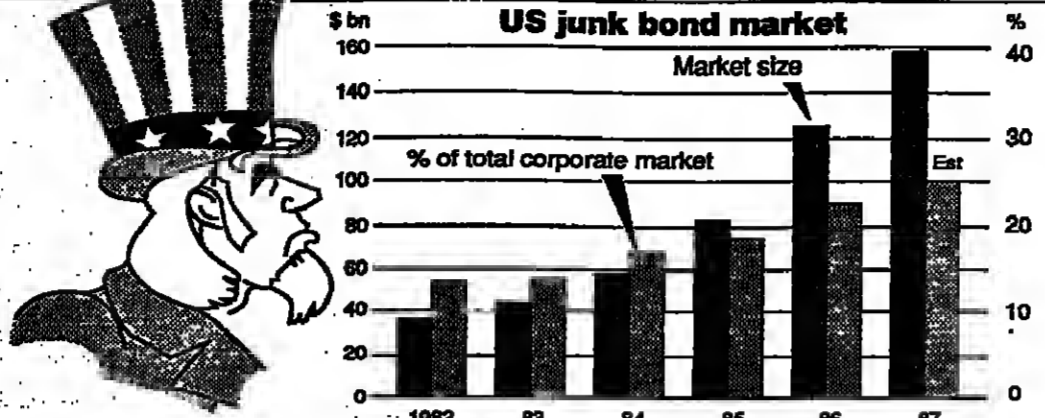
To describe a manager as "thick" is a compliment, rather than a term of abuse, in the lexicon of Mr Henry Mintzberg, a Canadian professor of management. He defines thick as thorough, while "thin" means facile. And thin management, he claims, gets too much promotion. Christopher Lovren examines his ideas in the Business Column. Page 46

### Conundrum for the gilt market

The London gilt market had a generally lacklustre tone for most of last week yet closed on a strong note, taking heart from the UK's provisional money supply data for October. The main focus of interest, however, remains the Bank of England's buying in activities and the implications of this for the market. Page 28

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## Wall Street dreams up a bondholder's nightmare

### James Buchan explains why big investors have doubts about highly-leveraged buy-outs like RJR Nabisco's

Metropolitan Life is a large, unimaginably large, agglomeration of capital in the annals of its stock headquarters, towering over New York's Madison Square, men in identical suits and ties are repeated endlessly, as in a series of mirrors. In every town in the US, there are MetLife salesmen pushing life, health or motor insurance, arranging pension plans or selling houses. They send back \$40bn every year to the harried fund manager in New York. MetLife is not a company that files nuisance lawsuits. But last week, it sued RJR Nabisco. It accused the tobacco company's managers of betraying their lenders by trying to buy the company with billions of dollars of extra debt. MetLife said it was suing not just to recover the \$40m it lost when its RJR bonds slumped in creditworthiness at the prospect of the new borrowings. It was also suing, said Mr John Creedon, chief executive, "to preserve our great capitalist system" from Wall Street speculation and management greed. MetLife was the second major RJR bondholder to go to court, following a suit launched by the ITT industrial and financial services company on Wednesday. The suits are most unlikely to halt the \$20bn sale of RJR. But they are signs that big institutional investors have deep misgivings about the vast and highly-leveraged deals Wall Street is dreaming up. For five years, US corporate bond investors have suffered, mostly in silence. To push up returns for existing shareholders or finance takeovers by raiders or executives, US corporations are going ever deeper into debt, allowing their credit ratings to tumble and handing huge losses to their existing bondholders. Mr Morrey McDaniell, an expert of bondholders' law who works at Union Carbide, calls this process "a massive transfer of wealth from bondholders to stockholders, possibly the largest expropriation of investors in American business history." Insurers such as MetLife and ITT's The Hartford subsidiary have been hardest hit by the fall in credit quality. Bonds, both public and corporate, are ideal investments for insurance companies because their predictable income can be matched against fixed future liabilities on insurance contracts. MetLife has around four times more invested in bonds than in stocks and no less than \$50bn invested in blue-chip or "investment-grade" corporate bonds. To protect these bonds from downgrading, holders have little defence but the covenants or indentures written into bond contracts. Bondholders, as lenders, have none of the fiduciary rights enjoyed by stockholders as owners. As recently as last month, the courts in the key business state of Delaware explicitly rejected arguments that bondholders are a fiduciary responsibility of management. Last summer, a fretful group of leading bond investors, including MetLife and Prudential Assurance, formed the Institutional Bondholder Rights Association to lobby for tougher indenture terms - including the redemption of bonds at par - in the case of takeover or additional leverage. They told their fund managers to weight their portfolios with issues of big companies, such as RJR, which seemed impregnable to leveraged takeover. This did not work. On October 20, RJR's senior managers, led by Mr Ross Johnson, announced they wanted to buy the company. RJR's \$2bn in bonds, including a \$600m issue floated only in April, fell by over 15 per cent in price. For bondholders, it was a catastrophe equivalent to a stock-market collapse. In its suit, ITT is claiming that RJR's managers and Shearson

## The apparent relegation of James Baker

By Anthony Harris in Washington

Political jokes have a short shelf-life. "What do I expect of the Baker presidency?" said my neighbour at dinner. He paused and smirked. "Excuse the Freudian slip," he said, "but it doesn't make much difference, does it?" He probably suspects by now that it makes all the difference in the world. The clue is Mr Bush's decision to appoint Governor John Sununu as his chief of staff at the White House. Mr James Baker, who has been regarded until now as the big power in a Bush presidency - the Prime Minister to Mr Bush's constitutional figurehead, by some accounts - had quite a different plan for the White House. It was centred on Mr Craig Fuller, an efficient organiser and a Baker intimate, who is now to return to private life. Yet because it was the Baker plan, many commentators here regarded it as a *fait accompli*. It now turns out not only that Mr Bush had ideas of his own, but that he took his decision some ten days ago, although he allowed Mr Baker to go on lobbying for his alternative until nearly the end of last week. Either Mr Baker had been kept in the dark, or he had overestimated his own influence. He is not the only one. This is the second time the Vice-President has made his own unexpected choice. The first was that of Dan Quayle as running-mate. The judgment looks questionable, but the pattern is interesting. Both Quayle and Sununu are aggressive members of the right wing of the party; Sununu led the personal attack on his fellow-Governor, Michael Dukakis, and obviously enjoyed himself to no end. Both are also proved campaigners on their own account. Mr Bush admires people who win elections, and has sent his own adviser, Mr Lee Attwater, the teach the Republican Party how it is done, Mr Baker has only run for office once, and lost. All this suggests that the assertive Mr Bush of the campaign was the real man, rather than a Clint Eastwood act put on for the cameras, and that he intends to be an assertive President, pushing his own agenda through a Democratic Congress. Conventional wisdom says that this cannot be done, but this judgment could be wrong for two reasons. The first is summed up in the old Will Rogers joke: "I'm not a member of any organised political party. I'm a Democrat." Like the British opposition, the party is an uneasy coalition, and



Republican Convention, which seems an age ago, but had made no impression whatever until last week. He chose to make his first public statement on television. He was interviewed about the weak dollar, the falling stock market and the deficit. He dismissed it all as a little nervous turbulence about a plan which was not yet published, but would certainly work. This display of complacency has created real shock. You will have read and heard enough about the deficit elsewhere to know that it is not likely to be easily eliminated; it is a blinding headache, and could yet derail the whole Bush venture before it even leaves the starting point. Fortunately Spaworth Wright of the House of Representatives has had an hour and a half with Mr Bush on the subject, and came out impressed. He reports that the President-elect knows that this is a serious problem, and means to attack it with determination. We will simply have to forget Mr Brady's television manner, and wait and see. Some other serious problems may also be tackled early. There is suddenly a whole list of well-backed schemes to solve the savings and loan crisis properly by winding up the bankrupts rather than "selling" them (with guarantees against past and future risks) so that they could go on running up losses. This is a problem almost as big as the budget deficit; the published figures show that some \$15bn of depositor's income has been found from their own capital, rather than from payments by borrowers. The published figures certainly understate the scale of this officially-backed Ponzi scheme. A true solution will involve a charge on the Budget, something Mr Baker always said he opposed. It is not clear whether he was sincere in this, or simply buying time; and it no longer seems to matter. Finally, Mr Bush is soon to visit Mexico, where he will be confronted with a still bigger problem. Latin American debt could wreck the whole hemisphere politically; the Baker plan, intended to solve it, has not worked, but was stubbornly defended by its author. Again Mr Bush may declare his own independence. The big question for the rest of us is whether such independence will prove him to be bold, or simply headstrong.

## Economics Notebook

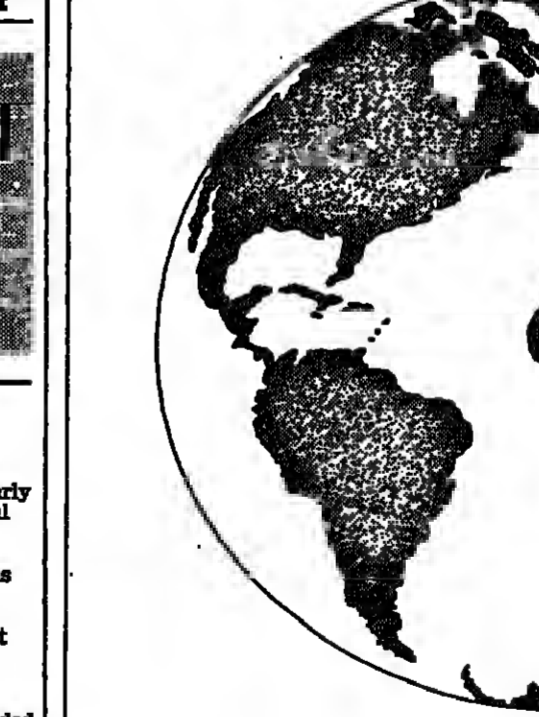
### Japan has yen for reserve role

LAST FRIDAY afternoon, European time, and the world's major industrial powers were playing the game of international monetary co-operation. After one and a half days of central bank intervention to prop up the dollar, Mr Nicholas Brady, the US Treasury Secretary, declares on US breakfast-time television that he is particularly worried by the currency's recent weakness. The dollar saga. In a damage control operation, some central banks buy more dollars. Frustrated, anonymous officials resort to strong language. Mr Brady's remarks have been "unhelpful", they explain. In the *sicco voce* world of central bankers, this is the nearest they get to an epithet. Nobody, least of all Mr Brady, seems to have asked whether the central banks really wanted to buy and hold the \$3bn or so that they reportedly accumulated in the final two days of last week. The dollar's position as the dominant reserve currency seems unchallenged. But away from the hectic conditions of the currency markets, people are beginning to question whether 70 per cent of the world's currency reserves should still be denominated in dollars. Japan, in particular, has urged that the dollar's role in world trade and finance should be shared more equally with the yen and the major European currencies. In enhancing the openness and liquidity of Tokyo's financial markets, the Japanese government is effectively inviting other nations to invest some of their reserves in yen. According to one senior official from the Group of Seven countries, reserve diversification is "no longer a taboo subject" in international monetary discussions. For most central banks,

## THIS WEEK

UK TRADE figures for October will overshadow European financial markets this week with analysts fearful that another big deficit could undermine confidence in sterling. September's figures showed a much smaller than expected deficit, providing some encouragement for markets. However, the consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for Friday's figures to show a current account deficit of \$1.1bn (\$2bn). A much larger figure could trigger fresh fears that the economy is growing too fast and that inflationary pressures are mounting. Its size could also influence speculation about future interest rates. Canadian financial markets will be on edge today, as one of the most significant general elections in Canada's history decides the fate of trade with the US. Mr Brian Mulroney's ruling Progressive Conservative Party is fighting with Mr John Turner's Opposition Liberals over the US-Canada Free Trade agreement, which would reduce tariffs and clear the way for further expansion of trade between the two nations. Mr Mulroney is committed to the deal, but Mr Turner and Mr Ed Broadbent, leader of the New Democrats, would repudiate it. UK preliminary gross domestic product figures for the three months to September are published on Wednesday and are likely to show continuing strong economic growth. The consensus is for a rise of 1.2 per cent. US inflation features on Tuesday when the consumer price index for October is published. The index is expected to have been held in check by energy prices and the consensus is for an increase of 0.5 per cent, the same as in September.

## UK Current Account



The advance report on durable goods in October, measuring orders in the pipeline, is released on Wednesday, providing an early indicator of future industrial production. The index tends to move erratically but the consensus is for a rise of 1.5 per cent. The Japanese consumer prices index, one of the most closely watched domestic indicators, is published on Friday. The inflation rate is regarded as under control but some analysts anticipate a slight rise in October to about 1 per cent a year. Other events and statistics this week (with MMS International consensus in brackets) include: Today: Full meeting of the Organisation of Petroleum Exporting Countries (Opec) in Vienna. Tomorrow: US Federal budget for October (\$28bn deficit). Two-year Treasury bill auction. UK building society monthly figures for October. Canada, August building permits. Wednesday: US 10-day car sales. Five-year Treasury bill auction. Thursday: UK cyclical indicators in October. Energy Trends in September. Friday: US October home sales. UK engineering indices of production.

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EUROCREDITS

Subscribers risk possible losses to join syndications

WHILE BANKS are under pressure to demand more generous margins from lenders...

Ultimately, UMC intended to issue commercial paper to finance its mortgage portfolio...

Separately, BZW also said that a previously announced \$250m revolving credit facility for Whitbread...

Separately, SG Warburg is arranging a \$250m five-year multiple option facility for Anglo Leasing...

Unlike typical lending facilities in which the borrower's sole contact is with the agent...

There is a facility fee of 12% basis points, a margin of 20 basis points and a utilisation fee of over 50 per cent of the funds are drawn upon...

Norma Cohen

INTERNATIONAL BONDS

Ecu-dominated issues triumph against all the odds

WITH THE US currency under pressure and the prospect of higher interest rates still on the horizon...

swap-related rush of new paper such as this still tends to lead to severe congestion...

Credit quality continues to be the market buzzword and many houses were hushing themselves last week trying to think up more ways of reassuring investors...

The issue was the first of the Swiss group's moves last week to prompt widespread market speculation that it was once again planning a bid for another company in the UK food sector...

Given this background, the undoubted success of a couple of last week's deals would seem to defy all logic...

Both the borrower and lead manager highlighted the investor put option at par, which was exercisable if the parent company ceased to control at

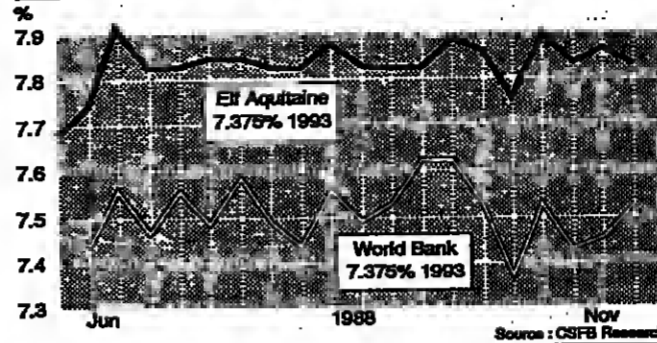
manager Bankers Trust International was able to bring the deal to the market at a yield level of 7.37 per cent...

least 51 per cent of the issuing company, which is a holding company for the Swiss chocolate manufacturer's US interests...

the level of its total fees by the end of the week. However, before the week was out the same borrower had tapped the Euroyen market via IBI International with an issue that won plaudits all round...

late, but it would appear that they still have some way to go. As one syndicate manager explained, the legions of "Belgian dentists" are still under the impression that building societies are a form of second-rate competition for their own regional savings banks...

ECU Bond Yields



gin continued to narrow during the first few days after launch as demand for the issue remained strong. Dealers said late last week that it was still too early to assess the impact on the issue's performance...

Perceptions of credit were also cited by sector specialists to describe the reception of another Ecu-denominated issue last week. Although Banque Paribas Capital Markets, a house recognised for its Ecu placement capabilities...

However, the Halifax expressed its approval of both deals which form part of its strategy to diversify the currencies in which it borrows. An official in the building society's treasury department accepted that the Ecu bonds would probably take some time to place. However, he commented that lead managing houses on the way in which they executed the deals.

Table titled 'DOMINIQUE JACKSON EUROMARKET TURNOVER (\$m)'. It shows turnover for various markets including US, UK, and others, with columns for 'Current' and 'Previous' periods.

NEW INTERNATIONAL BOND ISSUES

Large table listing new international bond issues. Columns include Borrowers, Amount, Maturity, Av. life years, Coupon, Price, Book runner, Offer yield, and Offer yield %.

This announcement appears as a matter of record only.

Argus Press Limited

£140,000,000 Management Buy-Out Financing

Arranged by: Chemical Bank

- Lead Underwriters: Chemical Bank, Continental Bank, The Dai-ichi Kangyo Bank, Limited, National Westminster Bank Group, The Toronto-Dominion Bank, Westpac Banking Corporation

- Managers: Bank of Scotland, Canadian Imperial Bank of Commerce, Commerzbank Aktiengesellschaft, London Branch, Credit Suisse, The Industrial Bank of Japan, Limited, Mellon Bank, 3i plc, The Fuji Bank, Limited

Agent: Chemical Bank

CHEMICAL INVESTMENT BANK BANKING

October 1988

This announcement appears as a matter of record only.



International Bank for Reconstruction and Development

SEK 500,000,000 10 1/2 per cent. Bonds due 1993

- Skandinaviska Enskilda Banken, Enskilda Securities, PKbanken, Svenska Handelsbanken Group, Bankers Trust International Limited, Banque Générale du Luxembourg S.A., Bergen Bank A/S, Credit Suisse First Boston Limited, Daiwa Europe Limited, Deutsche Bank Capital Markets Limited, Generale Bank, The Nikko Securities Co., (Europe) Ltd., Privatbanken A/S, Union Bank of Finland Ltd

November 1988



This announcement appears as a matter of record only. The Securities referred to below have not, as part of the distribution, been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or its possessions or to United States persons.

New Issue

28th September, 1988



**Household Financial Corporation Limited**  
*(Incorporated under the laws of Ontario, Canada)*

Can. \$75,000,000

11 per cent. Guaranteed Notes due 1993

unconditionally guaranteed by

**Household Finance Corporation**  
*(Incorporated under the laws of Delaware, U.S.A.)*

Issue Price 101 1/4 per cent.

Union Bank of Switzerland (Securities) Limited

- |   |                                      |
|---|--------------------------------------|
| Goldman Sachs International Corp.           | RBC Dominion Securities Inc.         |
| ScotiaMcLeod Inc.                           | Wood Gundy Inc.                      |
| Banque Bruxelles Lambert S.A.               | Commerzbank Aktiengesellschaft       |
| Crédit Lyonnais                             | Generale Bank                        |
| Kredietbank International Group             | Shearson Lehman Hutton International |
| Westdeutsche Genossenschafts-Zentralbank eG |                                      |

This announcement appears as a matter of record only. These Notes have not been qualified for sale under the securities laws of Canada or the United States of America.

New Issue

24th October, 1988



**T.C.C. Beverages Ltd.**  
The *Coca-Cola* Bottling System of Canada.

Can. \$75,000,000

11 per cent. Notes due 1993

Issue Price 101 1/4 per cent.

Union Bank of Switzerland (Securities) Limited

- |                                     |   |
|-------------------------------------|---|
| Credit Suisse First Boston Limited  | RBC Dominion Securities International   |
|                                     | Wood Gundy Inc.                         |
| Banque Bruxelles Lambert S.A.       | Commerzbank Aktiengesellschaft          |
| Crédit Lyonnais                     | Generale Bank                           |
| Goldman Sachs International Limited | Kredietbank International Group         |
| J.P. Morgan Securities Ltd.         | Société Générale                        |
|                                     | Westdeutsche Landesbank Girozentrale    |
| Banque Générale du Luxembourg S.A.  | Banque Internationale à Luxembourg S.A. |
| Crédit Communal de Belgique S.A.    | Leu Securities Limited                  |

\*Trade marks of Coca-Cola Ltd.

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New Issue

31st August, 1988



Can. \$100,000,000

**Ford Motor Credit Company**

10 1/4% Notes due August 31, 1990

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

- |   |   |
|---|---|
| Commerzbank Aktiengesellschaft          | Goldman Sachs International Corp.       |
| ScotiaMcLeod Inc.                       | Wood Gundy Inc.                         |
| Algemene Bank Nederland N.V.            | BNP Capital Markets Limited             |
| Bankers Trust International Limited     | Banque Bruxelles Lambert S.A.           |
| Banque Internationale à Luxembourg S.A. | Crédit Lyonnais                         |
| Credit Suisse First Boston Limited      | Daiwa Europe Limited                    |
| Generale Bank                           | Merrill Lynch International & Co.       |
| RBC Dominion Securities Inc.            | Yamaichi International (Europe) Limited |

This announcement appears as a matter of record only. These Notes have not been qualified for sale under the securities laws of Canada or the United States of America.

New Issue

25th October, 1988



**Montreal Trust**

Can. \$100,000,000

**Montreal Trustco Inc.**  
*(Incorporated under the laws of Canada)*

11 per cent. Debentures due October 25, 1993

Issue Price 101 1/4 per cent.

Union Bank of Switzerland (Securities) Limited

- |  |  |
|--|--|
| Banque Bruxelles Lambert S.A.                                    | Goldman Sachs International Limited      |
| SBCI Swiss Bank Corporation Investment banking                   | Société Générale                         |
|  | Wood Gundy Inc.                          |
| Banque Internationale à Luxembourg S.A.                          | Chase Investment Bank                    |
| County NatWest Limited   | Crédit Commercial de France              |
| Crédit Communal de Belgique S.A./Gemeentekrediet van België N.V. | Crédit Lyonnais                          |
| Daiwa Europe Limited   | Generale Bank                            |
| Genossenschaftliche Zentralbank AG-Vienna                        | IBJ International Limited                |
| Manufacturers Hanover Limited                                    | Mitsubishi Finance International Limited |
| Mitsui Finance International Limited                             | Sumitomo Finance International           |

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Doomsday scenario paints a slump

THINGS COULD go terribly wrong for the US during the next year, if the shaky performance of financial markets since the US election tells us anything.

The doomsday scenario includes a collapsing dollar which forces the US Federal Reserve to raise interest rates just when the economy is finally starting to slow down and when inflationary pressures are already built into the system.

There are those who believe that, while there are still overheating concerns after a set of figures showing strong October growth, a recession could be triggered as early as the second half of next year if the US Federal Reserve responds aggressively to a weak dollar and inflation worries.

at, at least until the first deadline for mandatory cuts under Gramm-Rudman-Hollings comes up next August. Lack of faith is overwhelming as Mr Bush prepares to take office.

The General Accounting Office, the independent Congressional watchdog agency, rejected the budget deficit-cutting plans of both Mr Bush and his Democratic rival Governor Michael Dukakis, and said in a report published on Saturday that any plan to reduce the deficit would have to include cuts in spending and rises in taxes.

Office, the independent Congressional watchdog agency, rejected the budget deficit-cutting plans of both Mr Bush and his Democratic rival Governor Michael Dukakis, and said in a report published on Saturday that any plan to reduce the deficit would have to include cuts in spending and rises in taxes.

As far as the twin deficits are concerned, according to the doomsday scenario, a depreciation in the dollar would not help the trade balance significantly because those industries at the centre of the export boom are banging up against capacity constraints.

Few have any faith in Mr George Bush, the president-elect, and Congress taking effective action to cut the def-

One of the most influential voices in this debate is Mr Alan Greenspan, chairman of the Federal Reserve, who last week sounded stern warnings shots across the bow of the incoming Administration in a

bottom for the dollar at a time when the Administration is simply saying that everything is swimming along nicely in a headache for the US Federal Reserve.

It is a mark of the deep cynicism of Americans during the Presidential campaign and the financial markets since the election that Bobby McFerrin's cheery chart topper 'Don't Worry, Be Happy' has become an ironic comment on Bush and his team.

Financial markets do not want to hear complacency and the dollar started falling again last week as soon as Mr Nicholas Brady, who will be the new Administration's Treasury Secretary, said that he was not worried about current pressure on the dollar.

Mr Greenspan is clearly concerned about the dollar and told the National Economic Commission that the financial markets needed evidence that the Bush Administration would act on the deficit.

The Fed is plainly worried about the awesome responsibility it faces while there is fiscal deadlock in Congress. Until direct and effective action is taken on the deficit in Washington, the brunt of policy-making will fall squarely on the central bank.

The outburst of official concern since the election, coupled with the thumbs-down of the financial markets, may of course prove positive in the long term and serve to concentrate minds within the new Bush team and Congress.

As Ms Maria Fiorini Ramirez of Drexel Burnham Lambert put it in her market report last Friday: "The worse it all gets near term - that is, the dollar, the equity, the fixed income markets, the better it could be longer term."

While everything at the moment points to higher interest rates in the months ahead, there is little conclusive evidence yet to suggest that the Fed has begun to tighten again. After trading often around 8% per cent, the Fed funds rate settled back to 8% per cent again by the end of last week.

Whatever the Fed does, in these most sensitive days, is likely to be subtle.

Janet Bush

UK GILTS

Contraction in short stocks looms

THE MARKET closed on a strong note last week after a series of conflicting data it took heart from the provisional money supply data for October.

Gilts seem to be deriving some support from Mr George Bush's problems with the foreign exchange market and Mr Alan Greenspan at the US Federal Reserve.

For most of the week the tone of the market was lacklustre and activity was - or at least felt to be - low.

The Bank of England was said to be out of the market, despite the market's generally weak showing, sparking some debate as to the Bank's tactics in its dealings with the market.

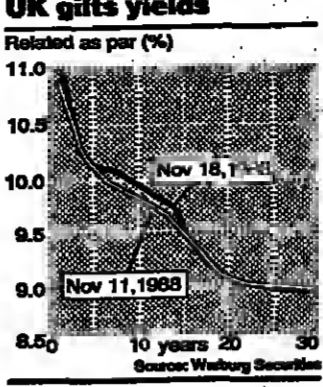
The main focus of the market's interest to date has been the Bank of England's buying in activities at the long end of the market.

This has been entirely appropriate since the Bank has bought in 0.5 per cent of the outstanding shorts (as defined), 1.2 per cent of the mediums and 3 per cent of the longs.

Although the Bank denies that it has a "policy" towards buying in, save that it will buy what is offered if it feels like it, the consequences of this "policy" are clear.

The average maturity of the Government's debt continues to shorten and the gilts market contracts.

Last week, however, the market began to look at the implications for the very short end of the gilts market of the



UK gilts yields. Related as per (%). Source: Warburg Securities

Bank's buying-in but, more importantly, the effect on that part of the market of the heavy load of redemptions over the coming years.

In a situation where it appears unlikely (or is it?) that the Bank will be issuing any more short stocks, the short end of the gilts market is looking forward warily to a large scale contraction in the stock of outstanding gilts.

Building societies are particularly concerned given that past changes to their capital adequacy rules and more changes in train induce them to invest in the short end of the market.

The interaction of redemptions and no issues produces the following profile for the stock of gilts with maturities to two years at April in 1989, £18.5bn outstanding; 1990, £13.4bn outstanding; 1991, £14.5bn outstanding; 1992, £14.5bn outstanding; 1993, £15.3bn outstanding.

The position begins to improve in 1991, although by 1993 the level of outstanding short gilts is still some £3bn below that of 1989.

In any event, the next two years are, for structural reasons alone, ones that will see a natural pressure for lower yields at the short end as banks and building societies scramble for stock.

This may be exacerbated by new liquidity requirements for banks and building societies shortly to be introduced by the Bank. The Bank detailed its ideas in a paper, 'Proposals for

A Stock of High Quality Liquidity, in March.

This proposed that banks and building societies maintain a proportion (10 per cent to 20 per cent upon negotiation) of their 'right to 8 days' liabilities in cash, operational balances with the Bank, UK Treasury Bills, gilts up to 12 months, eligible bank and local authority bills and secured deposits with the discount houses and gilts market.

Currently, 'right to 8 days' liabilities total around £176bn. If, say, on average 15 per cent (or £26bn) has to be dedicated to the above instruments then, some in the market claim, gilts prices will become even more distorted under the impact of demand.

The Bank appears relatively sanguine about the situation. If gilts become expensive then the relevant institutions can invest in other allowable forms of liquid assets. The gap, if it exists, may be filled by the development of other suitable instruments.

Against that the weight of demand may force up the prices of other investment securities and that may not necessarily be in the interests of the Bank's prevailing interest rate policy.

There is speculation that a two-year Treasury Bill, or similar, might be introduced. By law T-Bills can be issued up to only one year (although laws can be changed). In any case, this does not seem likely.

Simon Holberton

US MONEY MARKET RATES (%)

Table with 5 columns: Instrument, Last Friday, 1 week ago, 4 wks ago, 12-month High, 12-month Low. Includes Fed Funds, Treasury Bills, etc.

US BOND PRICES AND YIELDS (%)

Table with 5 columns: Instrument, Last Fri, Change on wk, Yield, 1 week ago, 4 wks ago. Includes 20-year Treasury, 30-year Treasury, etc.

NRI TOKYO BOND INDEX

Table with 5 columns: Instrument, Last, 12 wks, 26 wks, 52 wks. Includes Government Bonds, Municipal Bonds, etc.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Country, Instrument, Price, Yield, etc. Includes entries for Australia, Canada, France, Germany, etc.

Advertisement for Australian Telecommunications Commission. Features the ATC logo, text: 'These Notes having been sold, this announcement appears as a matter of record only.', '\$150,000,000', '1 1/2 per cent. Guaranteed Exchangeable Notes due 1992', 'Guaranteed as to payment of principal and interest by The Commonwealth of Australia', 'Issue Price 98 1/2 per cent. plus accrued interest', and a list of participating banks like Amsterdams-Rotterdam Bank N.V., ASLK-CGER Bank, etc.



**HOKUETSU INDUSTRIES CO., LTD.**  
**NISHI-KAMBARA-GUN**  
**NIIGATA PREFECTURE/JAPAN**

**SFr. 30,000,000**

**1/4% Convertible Notes**  
**1988-1993**



**Lead Manager: Banca della Svizzera Italiana**

**Co-Managers:** Daiwa (Switzerland) Ltd.  
 New Japan Securities (Schweiz) AG  
 Dai-ichi Kangyo Bank (Schweiz) AG  
 Fuji Bank (Schweiz) AG  
 The Industrial Bank of Japan (Switzerland) Limited  
 Nippon Kangyo Kakumaru (Suisse) S.A.  
 Wako (Switzerland) Finance S.A.  
 Banca del Gottardo  
 Banco di Roma per la Svizzera  
 Bank Leu Ltd  
 Banque Paribas (Suisse) S.A.  
 Clariden Bank  
 HandelsBank NatWest  
 Lombard, Odier & Cie.  
 Overland Trust Banca  
 Swiss Volksbank  
 Wirtschafts- und Privatbank

NEW ISSUE - This announcement appears as a matter of record only - August, 1988



**YUASA FUNASHOKU CO., LTD.**  
**FUNABASHI CITY, JAPAN**

**SFr. 70,000,000**

**1 3/4% Guaranteed Notes**  
**with warrants 1988-1993**



**Lead Manager: Banca della Svizzera Italiana**

**Co-Managers:** Yamaichi (Switzerland) Ltd.  
 The Industrial Bank of Japan (Switzerland) Limited  
 Yamatane Finanz (Schweiz) AG  
 Yasuda Trust Finance (Switzerland) Ltd.  
 Chuo Trust Finance (Switzerland) Ltd.  
 Dai-ichi Kangyo Bank (Schweiz) AG  
 Alpha Securities AG  
 Banca del Gottardo  
 Banca Unione di Credito  
 Bank Julius Baer & Co. Ltd.  
 Baring Brothers S.A.  
 Clariden Bank  
 HandelsBank NatWest  
 Jyske Bank (Schweiz)  
 Lombard, Odier & Cie.  
 Morgan Stanley S.A.  
 Société Générale  
 Unigestion S.A.

NEW ISSUE - This announcement appears as a matter of record only - August, 1988

**TOYOCOM**

**TOYO COMMUNICATION**  
**EQUIPMENT CO., LTD.**  
**KANAGAWA, JAPAN**

**SFr. 70,000,000**

**1/2% Convertible Notes**  
**1988-1993**



**Lead Manager: Banca della Svizzera Italiana**

**Co-Managers:** Daiwa (Switzerland) Ltd.  
 Sumitomo International Finance AG  
 Bank of Tokyo (Schweiz) AG  
 Nippon Credit (Schweiz) AG  
 Sumitomo Trust Finance (Switzerland) Limited  
 Yokohama Finanz (Schweiz) AG  
 Banca del Gottardo  
 Banca Unione di Credito  
 Bank Leu Ltd  
 Banque Paribas (Suisse) S.A.  
 HandelsBank NatWest  
 Lloyds Bank PLC  
 Morgan Grenfell Securities S.A.  
 Société Générale  
 Swiss Volksbank  
 Unigestion S.A.

NEW ISSUE - This announcement appears as a matter of record only - September, 1988



**THE HANSHIN SOGO BANK, LTD.**  
**KOBE, JAPAN**

**SFr. 100,000,000**

**1/2% Convertible Notes**  
**1988-1993**



**Lead Manager: Banca della Svizzera Italiana**

**Co-Managers:** Nomura Bank (Switzerland) Ltd.  
 Taiyo Kobe Finanz (Schweiz) AG  
 Daiwa (Switzerland) Ltd.  
 The Industrial Bank of Japan (Switzerland) Limited  
 Yamaichi Bank (Switzerland)  
 The Long-Term Credit Bank of Japan (Schweiz) AG  
 Nippon Kangyo Kakumaru (Suisse) S.A.  
 Nippon Credit (Schweiz) AG  
 Toyo Trust Finance (Switzerland) Ltd.  
 Wako (Switzerland) Finance S.A.  
 Banca del Gottardo  
 Banco di Roma per la Svizzera  
 Bank Leu Ltd  
 Bank Julius Baer & Co. Ltd.  
 HandelsBank NatWest  
 Swiss Volksbank  
 S.G. Warburg Soditic SA  
 Attel & Cie SA  
 Banque Paribas (Suisse) S.A.  
 Morgan Stanley S.A.

NEW ISSUE - This announcement appears as a matter of record only - October, 1988

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

**Investors in Prato may sue Bank of Italy**

By Alan Friedman in Milan

A GROUP of small investors in the crisis-stricken Cassa di Risparmio di Prato, the Tuscan savings bank being saved from liquidation by a L1,100bn (\$860m) financial lifeboat, is threatening to bring a civil lawsuit against the Bank of Italy alleging negligence on the part of the central bank's supervisors.

Mr Riccardo Landini, leader of 200 small shareholders in the Cassa di Prato, said yesterday the Bank of Italy should not have authorised the issue in 1984 of 1.57bn worth of non-voting savings shares in Prato. "We have already deposited, on November 10, a dossier with the state prosecutor's office in Prato alleging the falsification of the Cassa di Prato's balance sheets in 1983 and 1984," Mr Landini said. "We are now planning a civil suit against both the Cassa di Prato and the Bank of Italy in which we are charging negligence and seeking the restitution of our investments."

The Bank of Italy said yesterday there were no officials available to comment on the planned lawsuit. The central bank, which has sent inspection teams into Prato three times since 1986, has been criticised by some Italian bankers for not having acted quickly enough to recognise the severity of the crisis at Prato.

The Tuscan savings bank has been in the hands of Bank of Italy commissioners since September.

The savings bank has L1,400bn of bad debts, of which L747bn are unrecoverable. There has been a run on deposits which has seen a 25 per cent drop in the deposit base to L1,550bn. Last week, after opposition from banks blocked an initial rescue plan put together by the central bank and Italy's new Deposit Guarantee Fund, the fund itself pledged to finance the L1,100bn lifeboat in two tranches.

Mr Landini claimed yesterday to speak for 200 small shareholders who invested L1.3bn of the L57bn equity issue in 1984. He said the shareholders feared they would lose all their investment.

**Midi offers to buy part of Pebereau's SocGen stake**

By Paul Bett in Paris

COMPAGNIE DU Midi, the French diversified insurance group, has offered to help resolve the deadlock in the controversial stock market raid launched by Mr Georges Pebereau, the former chairman of the French Compagnie Générale d'Electricité (CGE) group, against Société Générale, France's leading privatised commercial bank.

Midi, which recently merged its insurance subsidiary Assurances Groupe de Paris (AGP) with the insurance activities of the French Axa group, is understood to have offered to acquire part of the 9.16 per cent stake accumulated by Pebereau and his financial partners in SocGen.

The Midi proposal coincided with the first round of negotiations between representatives of Mr Pebereau's group and SocGen to seek a compromise. Both parties are coming under pressure to resolve the affair, which is proving increasingly embarrassing for the French Government.

Moreover, some of Mr Pebereau's allies are understood to have pressed the former CGE

capital gain, while on the other it would introduce a new neutral shareholder in SocGen.

Moreover, Mr Marc Viemot, the SocGen chairman, is believed to be on good terms with Mr Bernard Fagezy, the Midi chairman, and Mr Claude Bebear, Axa's chairman.

Mr Bebear, who is also a shareholder of Mr Pebereau's Marceau Investissements group, is understood to have been embarrassed by the raid on Société Générale Bourse.

The Midi proposal coincided with the first round of negotiations between representatives of Mr Pebereau's group and SocGen to seek a compromise.

Both parties are coming under pressure to resolve the affair, which is proving increasingly embarrassing for the French Government.

Moreover, some of Mr Pebereau's allies are understood to have pressed the former CGE chairman to negotiate a compromise with SocGen rather than return to the attack, by increasing his stake in the commercial bank.

Marceau Investissements, Mr Pebereau's investment group, indicated last week that it did not plan any further SocGen share purchases for the time being at least, and was anxious to co-operate with the commercial bank. At the same time, SocGen confirmed it had strengthened its defences against what it regards as a hostile raid.

Midi also played a leading part this month in helping Epe-de-Bertrand Faure, the French diversified car seat maker, to put together a successful takeover bid to thwart a hostile takeover launched by Valeo, the French car components group under the management control of Mr Carlo De Benedetti, the Italian businessman.

**Israel recycles military sales debt**

By Andrew Whitley in Jerusalem

THE ISRAELI Treasury has launched a fresh, \$2.55bn package of bond issues in the US market, recycling a large chunk of the country's foreign military sales (FMS) debt to the US Government at lower interest rates.

The latest issues - for terms ranging from four to 10 years - carry US government guarantees for 90 per cent of their face value.

The remaining 10 per cent of Israel's "exposure" will be covered by Israeli purchases of new issues of US Treasury bonds.

The Finance Ministry said yesterday that the latest package, the second since the US Congress approved legislation enabling foreign governments to reduce their interest payments in this way, had been even more successful than the first.

In September, Israel sold \$2.5bn of FMS-related bonds on similar terms. The average price paid on the new issues, released towards the end of last week, was 93 per cent - an interest rate that one official noted was lower than that gained recently by the World Bank.

In all, Israel has therefore been able to retire so far some \$4.75bn of its more expensive military debt to the US, carrying interest rates above 10 per cent. About \$5.5bn of the \$8.5bn debt to the US is eligible for recycling under this scheme.

According to the Finance Ministry, the September bond issues should result in effective savings to the country of up to \$90m a year, spread over a 14-year period. Gross savings were put at \$750m over the planned full term of the older debt.

One condition attached by the US Government to the recycling exercise is that whatever savings accrue will be put towards a reduction of national debt, rather than an increase in public expenditure.

A guarantee to this effect is understood to have been given to Washington by Finance Minister Moshe Nisim.

**Canada relaxes rules on banks' brokerage offices**

By David Owen in Toronto

CANADIAN securities commissions have unveiled regulations permitting financial institutions to operate brokerage offices in their branches for the first time.

The move, which brings one-stop shopping for financial services to Canada, comes almost 17 months after deregulation of the domestic securities business took effect.

Under the new regulations, institutions must establish "identifiably separate premises" for brokerage offices in their branches, under a separate name and with a different telephone number. Brokers employed in the branches are barred from conducting bank business with customers when in the securities offices.

Customers must be advised of the risks involved in trading securities. This must include written notice that funds held by the securities dealer are not insured by any government agency.

"The institution can advertise its brokerage unit's products within the branch. But there can be no expressed opinion of

the value of the securities in question.

Within hours of the regulations being announced, discount broker Marathon Brown opened an office in a Toronto branch of Guaranty Trust. Central Capital, the fast-growing Halifax-based conglomerate, has a major stake in both firms.

Three other securities dealers, including Toronto Dominion Securities, have applied to the Ontario Securities Commission to open similar offices.

**Intel forecasts drop in earnings**

By Our Financial Staff

INTEL, THE leading US microprocessor, is forecasting a drop in revenues and earnings in the fourth quarter.

The group said it had revised its outlook as a result of inventory correction by computer makers which was affecting the 386 microprocessor, used in the latest personal computers and companion chips.

The group, which reported record earnings in the third quarter, is predicting that fourth-quarter sales will be 10 per cent below third-quarter revenues. In addition earnings are expected to be down to between 40 and 50 cents per

share from 78 cents per share in the third quarter when the group reported a 77 per cent rise in net income to \$143m on revenues of \$785m.

The company's fourth-quarter prediction would give it total earnings of \$2.45 to \$2.55 per share on sales of about \$2.98bn for 1988.

Intel's performance has been watched closely for signs of softening in the computer market, on which it is heavily dependent. One analyst commented that Intel's forecast seemed to indicate that the

current slowdown was worse than he expected.

Mr Andrew Grove, Intel president, said: "We have been talking closely with our customers and they indicate that their business outlook is good. We think we will work our way through this situation by the second quarter of next year and expect growth to resume at that time."

Mr Michael Gumpert, of Drexel Burnham Lambert, said: "This looks like the current slowdown is worse than I was looking for."

**Pechiney 'in US acquisition'**

By Paul Bett in Paris

PECHINEY, the French nationalised aluminium group, was said yesterday to be on the verge of announcing a large US acquisition to expand its packaging operations.

The speculation follows remarks by Mr Michel Rocard, the French Prime Minister, on Saturday that he expected an important economic announcement to be made today. His office later confirmed a leading French company was involved.

Although government officials refused to disclose the

name of the French company, they indicated that the deal to which Mr Rocard referred had "international implications."

This prompted speculation that the company was Pechiney, which was reported by Le Figaro, the French newspaper, on Saturday to be completing a big deal between its Cebal packaging subsidiary and an American group.

Pechiney has been seeking to expand its Cebal packaging operations through a significant acquisition or alliance.

The recent merger between its French rival Carmand and MB Group of the UK appears to have put pressure on the aluminium group to complete a major deal to strengthen its position in packaging.

The French Government also indicated at the weekend that it planned to advance FF7500m (\$94.2m) to the Chantiers de l'Atlantique, the shipyard controlled by the Alsthom engineering group, to help the yard win a new order to build a luxury cruise liner.

**Hitachi deal with NatSemi rumoured**

By Louise Kehoe in Tokyo

NATIONAL Semiconductor of the US and Hitachi of Japan have declined to comment on persistent rumours that National is in talks with Hitachi about the possible sale of National Advanced Systems, its mainframe computer business.

Reports of the talks in Japan and the US, were neither confirmed nor denied. Hitachi supplies the mainframe com-

puters that are sold by National in the US and Europe.

Fuelling the talk of a possible sale are comments made by Mr David Martin, president of NAS, at National's recent annual meeting, at which he acknowledged that NAS faced a cost disadvantage compared to its main competitors - IBM, which builds its own mainframe computers, and Amdahl, which buys sub-assemblies

from Fujitsu of Japan.

Analysts interpreted his remarks as an admission that the basis upon which NAS operates is no longer tenable. They said National had been seeking a buyer for NAS for several weeks and Hitachi was the most likely buyer since it already supplied hardware to the company. National, they said, was likely to put a price of \$260m to \$300m on NAS.

**Suntory profits fall by 83.3%**

By Gordon Cramb in Tokyo

SUNTORY, the Japanese beverages producer with which Allied-Lyons of the UK last month formed a shareholding and marketing alliance, has shown an 83.3 per cent drop in interim pre-tax profits to ¥3,140m (\$58m).

Bear sales were down 3.7 per cent and the company said competition was made tougher by a promotional battle among Japanese brewers for so-called dry beer, a new premium range high in alcohol.

However, the earnings decline was largely attributable to a fall-off in sales of Suntory's investment holdings in the previous first half, profits had jumped ninefold because

of a ¥41.5bn special contribution from securities sales.

Suntory said its foreign liquor division in the latest six months to September was in the black for the first time in four years, on a good performance by its recently launched Suntory Old whisky.

Mitsui Ocean Development and Engineering, Japan's largest oil rig and marine projects specialist, is to cease business at the end of the year because of mounting losses and a decline in offshore energy exploration.

The company, a Mitsui group venture established 20 years ago, had ambitious plans to construct a floating city. These

are now in doubt, although a new and smaller company is being formed to take over some Mitsui Ocean activities.

Sales reached a peak of ¥56bn in 1984, but the subsequent decline in its basic oil services business left turnover at only ¥2.3bn in its latest year, on which Mitsui Ocean incurred a loss of ¥4.1bn.

The company is owned by Mitsui Engineering and Shipbuilding and the Mitsui & Co trading house.

Hitachi Zosen, another leading shipbuilding company, has reported a narrower first-half loss of ¥12.66bn before tax, down from ¥19.62bn. Sales fell 19 per cent to ¥98.39bn

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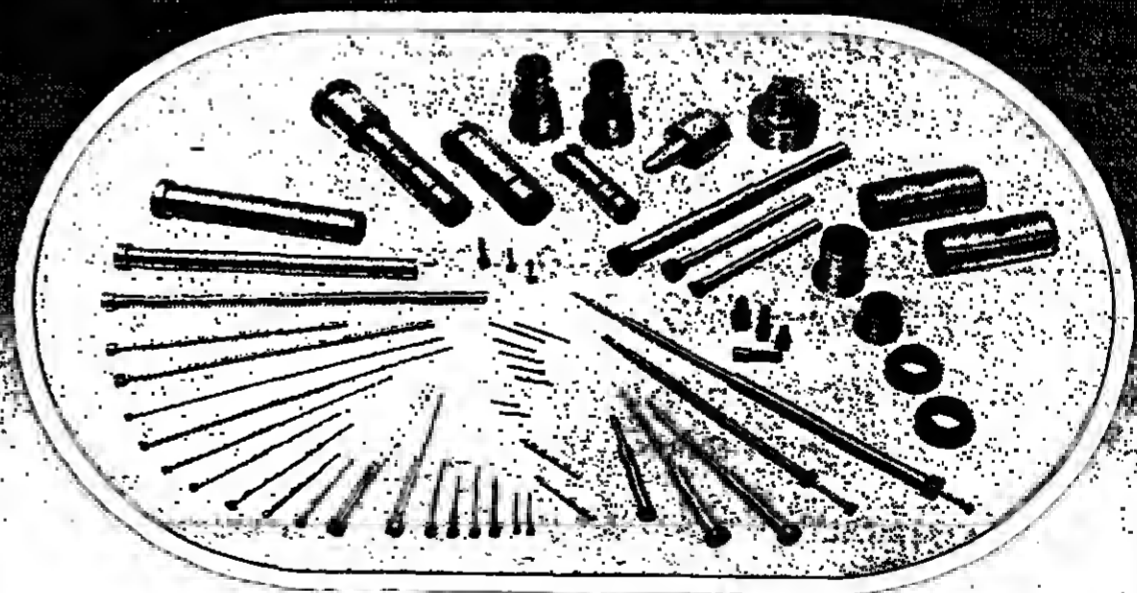
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UK COMPANY NEWS

Brand valuation expected to feature in RHM result

By Nikki Tait
RANKS HOVIS McDougall, the UK bakeries and food group, is expected to accompany its full-year figures with some form of "brand" valuation on Tuesday.

British Gas silent on Carless

By Nikki Tait
BRITISH GAS yesterday refused to comment on a weekend press report that it might be interested in mounting a counter-offer for Carless, the oil independent which is fighting an unwanted £208m bid from Kelt Energy.

GrandMet buys more ID shares

Grand Metropolitan, which is fighting Pernod Ricard for control of Irish Distillers, has taken its stake in the Irish company to 30.06 per cent and waived all conditions on its £5.25 per share offer save that of acceptances exceeding 50 per cent.

EW Fact to join USM

By Fiona Thompson
EW Fact, provider of accountancy and banking tuition courses and financial textbooks, is to join the USM in a placing which values the company at £4.2m.

Local London shares slide

SHARES IN Local London, the property group, fell sharply after it announced that "no further discussions" were contemplated with Brent Walker, the leisure group.

Minorco sends Gold Fields a reassurance

By Kenneth Gooding, Mining Correspondent
SIR MICHAEL Edwards, chief executive of Minorco, has given another indication that the South African-controlled investment company hopes to keep most of the senior operating executives of Consolidated Gold Fields if Minorco gains control of the UK mining and industrial group.

Day of decision for Virgin

Nikki Tait on the vote over Richard Branson's plan to go private

SHORTLY AFTER 10 this morning, the fate of Richard Branson's Virgin Group should be sealed. Shareholders are due to vote today on the plan to take the company back into private hands, via a 140p a share offer for the group from a new management-backed vehicle called Glowtrack.

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FT Share Service
The following securities were added to the Share Information Service in Saturday's edition: American Intl. Grp. (Section Insurance); Newmarket Venture Capital (Trusts, Finance, Land); Rita Design Grp. (Stores); Sunset & Vine (Leisure).

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Fixed Interest 97.18 97.11 96.96 97.26 97.20 97.20 98.67 94.14 105.4 50.53

# FINANCIAL TIMES SURVEY



**Singapore sets and achieves high standards. There will be no relaxation, indeed the pressure**

**is likely to intensify, with even less tolerance for forms of individualism which are interpreted as being alien to the pursuit of national objectives, writes Roger Matthews**

## In search of excellence

SINGAPORE is booming. High growth, low inflation, full employment, positive balance of payments, large per capita reserves and one of the highest savings levels in the world. And for much of the year, the sun shined.

It is the stuff of prime ministerial dreams, except in Singapore. The expression "resting on your laurels" could never have been conjured in this geographical blip in south east Asia, where the past is only invoked to raise hopes for the future, and the present is only relevant as a measure of what still has to be achieved.

"We shall reach our goals, not next year, but in the next decade. When we get there, we shall discover that there will be further fields to conquer." From the lips of most Western political leaders such statements could be safely regarded as rhetoric. Not so from the Asian author, Mr Lee Kuan Yew. Just past his 66th birthday and into his 30th year as Prime Minister, Mr Lee does not much care for rhetoric and his people know it. Mr Lee's speeches come accompanied by graphs and tables. When he makes international comparisons he does not waste time with small fry. Britain, 1945-79, shows what can happen without strong leadership and

national discipline. Japan, 1945-88, shows what can be done with it.

The goal Mr Lee was referring to was that of productivity. The comparison was between a Japanese company which produced 30 per cent more with the same machines in Japan than it did in Singapore. The reason cited for the imbalance was that there is less absenteeism in Japan (Singapore itself has one of the lowest rates in the world), less job-hopping in search of higher wages, and no distinction between blue-collar and white-collar employees. They are all grey-collar workers. But, most important, Japanese workers have what Mr Lee described as a capacity for lifelong learning and training which enabled them to improve their productivity "ceaselessly and endlessly".

So Mr Lee and his government wish it to be for Singaporeans. And not just in matters of industrial productivity. The slogan "Towards a Nation of Excellence" encompasses almost every sphere of human activity, ranging from the most personal and intimate to the cultural and recreational. Clever graduates are urged (and officially assisted) to marry other graduates to produce cleverer babies; the Malay

minority is constantly warned of the need to improve performance; and those who fail to flush toilets get their photographs in the newspapers.

Materially, the results are impressive. From the efficiency of Changi airport and the national airline, to the stainless steel and marble stations of the new USS2.5bn Mass Rapid Transport system, to the quality of its hotels, Singapore sets and achieves high standards. In terms of public services it has already passed the status of newly-industrialising country and is now at least on a par with much of the industrialised world, sometimes ahead.

The strategy was simple. As Singapore felt it did not have the time, resources or skills after independence to establish an indigenous manufacturing or financial base, it set out to create the conditions to attract those who could provide them. Last year over 70 per cent of Singapore's manufacturing output was by companies controlled from abroad. The financial sector has evolved in much the same way, with an important part of banking profitability today stemming from foreign exchange dealing and other offshore activities. Such a high degree of external dependency does cause some

government concern, but at the same time fuels an official obsession with ensuring that the conditions which attracted the initial investment are maintained and improved upon.

Political continuity is therefore deemed an imperative. Singapore maintains most of the trappings of the Western democratic system which it inherited from Britain, but its practice differs. Opposition is not deemed to be a necessary check on the Executive. Mr Lee never gives any indication that he does not know what is best for the country, even down to the issue of his successors. As he told the electorate in the run-up to September's general election, the second-generation political leaders in the Cabinet might not be the greatest, but they were certainly the best available.

Ill health apart, the succession issue is anyway something of a red herring. Mr Lee will continue to run Singapore for the foreseeable future, be it as Prime Minister, Secretary General of the ruling People's Action Party, holder of the planned post of elected President, or simply as the Singaporean equivalent of China's Mr Deng Xiaoping. Mr Goh Chok Tong, the first deputy prime minister, chastised of late by

Mr Lee as being "too wooden" and since known popularly as "lumber one", has said that in a couple of years or so he will gently elbow the Prime Minister aside, but it will be in form rather than substance.

The general election produced good news for the government in that it won 80 of the 81 seats, and not-so-good news because it suffered a further, if small, erosion in its popular support. The result will have had little impact on foreign perceptions of Singapore, but for absolutist Singaporeans there were worrying aspects to the voting, in particular the performance of Mr Francis Seow, the former Solicitor General.

Mr Seow came within 1 per cent of winning the country's highest constituency and drew huge crowds to his rallies. This despite (or perhaps because of) the fact that he had been detained for 70 days under the Internal Security Act and intensively interrogated about funds he had received, the implication being that the money had come from official American sources to support an opposition challenge to the government. At the same time an American diplomat was asked to leave Singapore for allegedly meddling in the country's domestic affairs.

### KEY FACTS

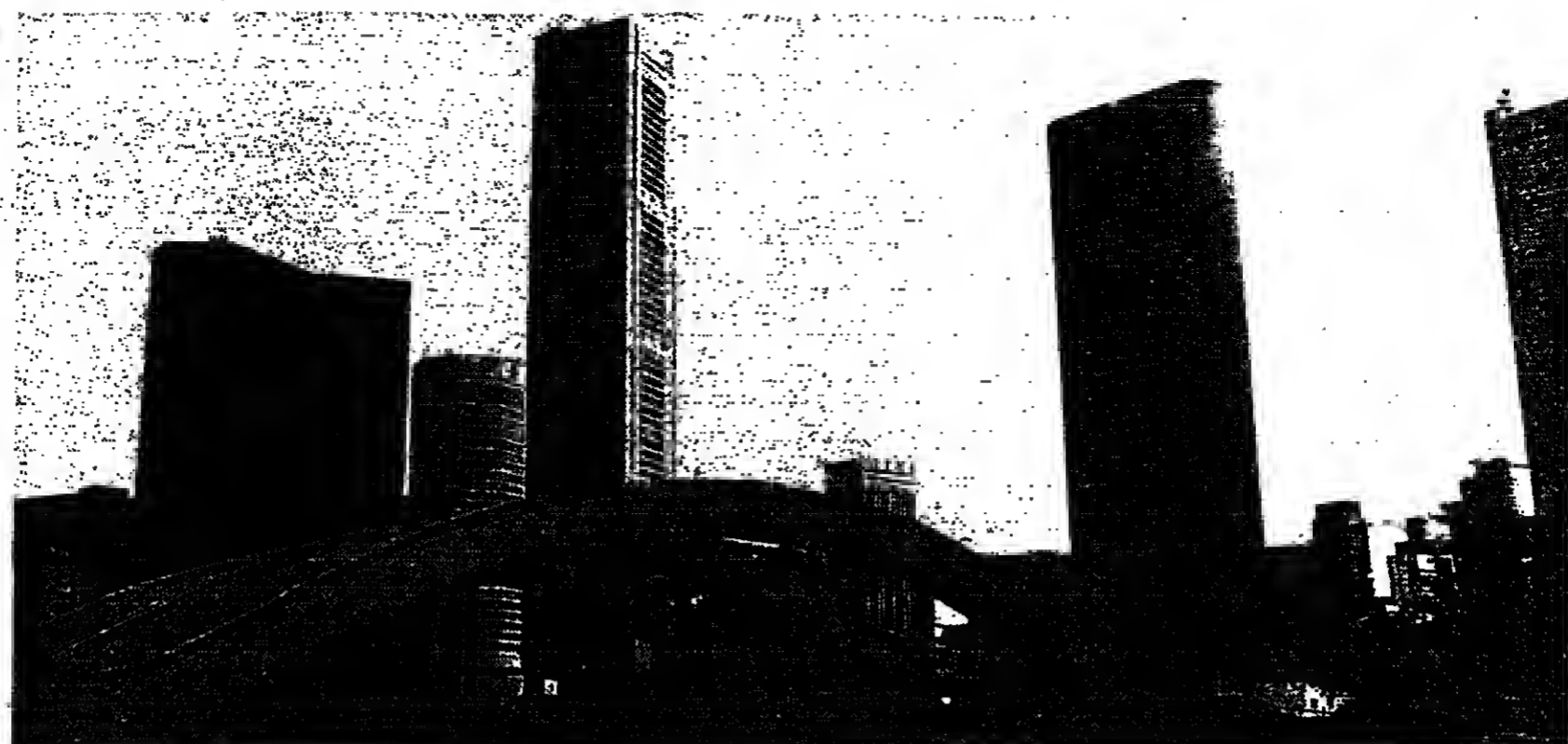
Area	621.7sq km
Population	2.6m
Ethnic breakdown	Chinese 78.1%; Malays 15.1%; Indians 6.5%; others 2.3%
GDP	US\$20.6bn
GDP per capita	US\$7,900
Inflation	0.5%
Merchandise exports	US\$27.3bn
of which Petroleum products	US\$9.6bn
Telecommunications apparatus	US\$5.2bn
Crude rubber	US\$1.5bn
Merchandise imports	US\$29.8bn
of which: Oil	US\$12.5bn
Merchandise trade balance	US\$-2.5bn
Currency	100 cents = 1 Singapore dollar (S\$)
Exchange rate	US\$1 = S\$1.95 (15 November 1988)

1987 figures

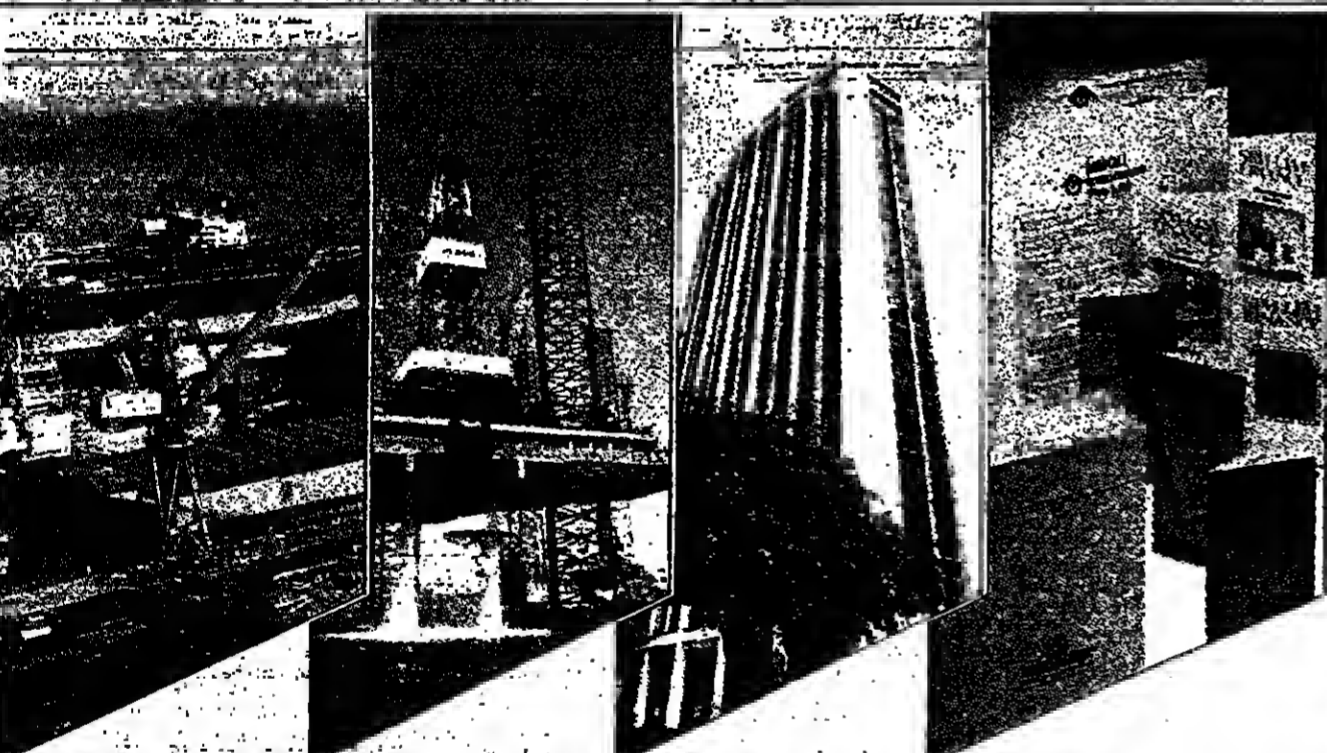
The subsequent spate of anti-American invective, laced with warnings to other foreign governments and interest groups, sounded oddly strident coming from the normally cautious and measured lips of official Singapore and disappeared from view with the same suddenness that it sprang up. Coming after the discovery of an alleged Marxist conspiracy, the continuing hostility towards the foreign media, and alongside an unsavoury series of highly personal attacks on the now openly-critical former President of Singapore, Mr

Devan Nair, confirmed for some Singaporeans that to oppose, in whatever form, was a very high risk pastime. It was also a hazardous occupation. Five members of the National Trade Union Congress, which describes its relationship with the People's Action Party as symbiotic, subsequently lost their jobs because they had stood as opposition candidates. The quantity of official and media time devoted to these issues underlines just how worried the government is that Singapore is becoming exces-

Political trends  
Manufacturing 2  
Economy  
Labour  
Foreign exchange 3  
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Business travel guide  
Equities 4  
Singapore's business district  
Picture: Cathy Fotland



# Singapore



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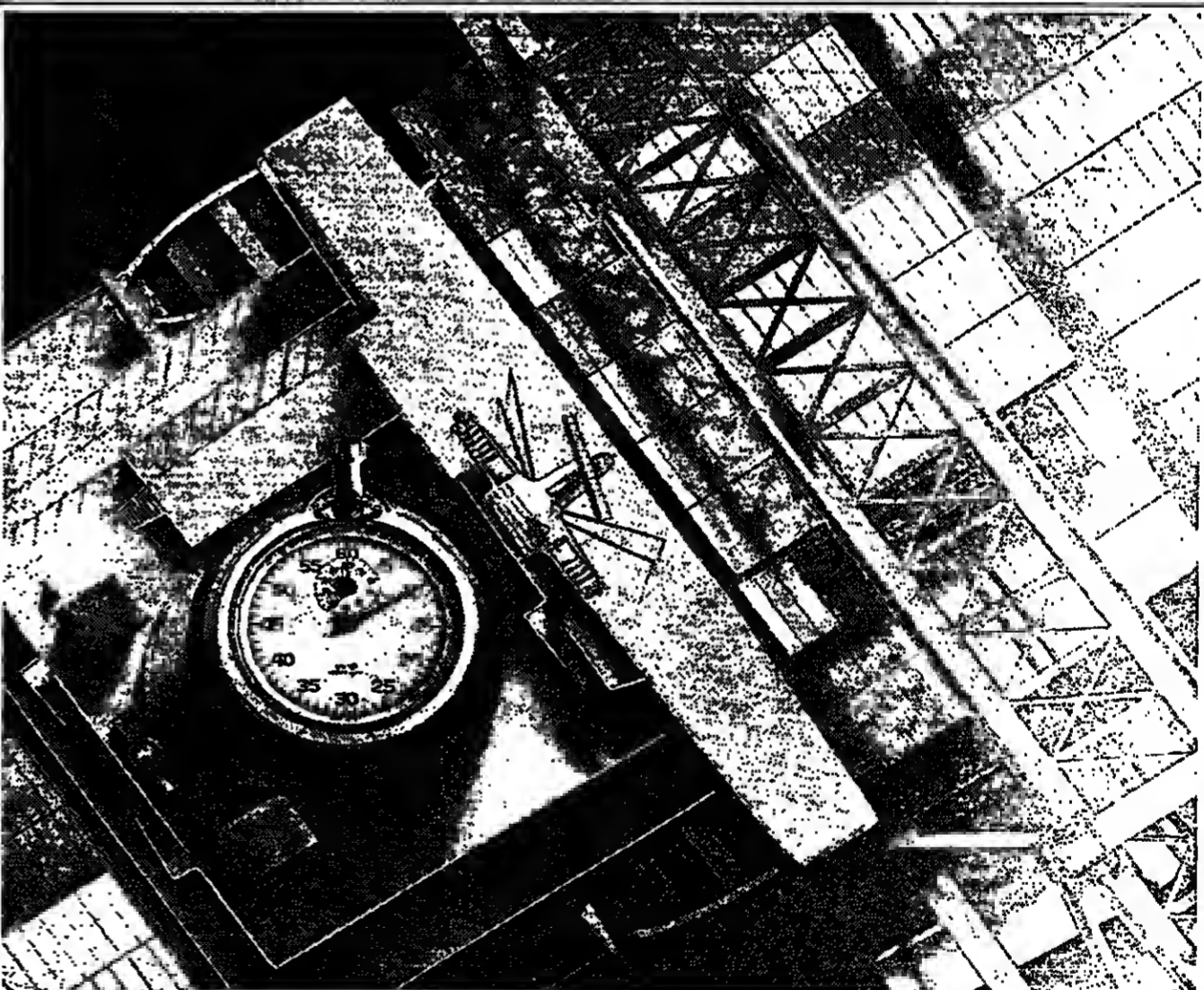
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SINGAPORE 2

Alain Cass examines political trends

Changing nature of society

POLITICS in Singapore used to be a relatively straightforward affair. Lee Kuan Yew was in charge, the People's Action Party was unopposed in parliament and the Opposition, such as it was, floundered ineffectually against a government which was both enormously competent and ruthlessly intolerant. And so it seemed, *ad infinitum*.

To the naked eye and to those who regard Mr Lee's crabby paternalism as a small price to pay for the economic miracle he has wrought, not much appears to have changed. Mr Lee is still Prime Minister and very much in charge, the PAP captured 69 of the 70 contested seats in last September's parliamentary elections and the Opposition is the first to admit that it does not remotely resemble an alternative government.

Only one of their number, Chiam See Tong of the Singapore Democratic Party, who was first elected in 1984, was elected to parliament on this occasion. Even Mr Lee's opponents, of whom the SDP and the Worker's Party are the only credible forces, say they would not change much in the unlikely event of being returned to power.

What they object to is not Mr Lee's policies so much as the tone and style with which these are implemented. In the circumstances one might ask "why bother with elections?" If all that was required to keep the PAP in power indefinitely, and Singapore's increasingly affluent citizens happy, was a good public relations outfit, why not something simpler and less contentious like an occasional referendum?

The problem for those within the ruling party who might be tempted to advocate such a course is that neither of these assumptions are true, even if they might have been, say, 15 years ago. When Mr Lee enjoyed almost divine status and most Singaporeans gratefully gave him their unconditional support in return for a better standard of living.

Beneath its apparently unstoppable success, the nature of Singaporean society is changing and, with it, the political forces which will shape the country's future direction.

Relentless success has brought rising expectations. The country's post-indepen-

dence generation, increasingly exposed to Western traditions of scepticism, is less inclined to accept the dictates of its elders. Modernisation has broken up traditional Chinese family patterns and the obedient values that accompany these.

Mr Lee, who embraces democracy in theory but finds it frustrating to live with in practice, has become a victim of his own success. That much has been clear for some time and results of the last two general elections - 1984 and 1988 - confirm this.

In 1984, when Mr Lee's government was wrestling with a number of controversial issues and the first signs of an economic downturn were appearing, the PAP's share of the vote fell by over 12 per cent to 62.9 per cent. Last September, with a booming economy and no big, specific issues for the opposition to exploit, that vote fell further to 61.8 per cent.

The only issue of broad interest which might have affected the vote was Mr Lee's plan to create an elected presidency (it was thought for himself) with wide powers of veto. In the event, and for reasons which may have less to do with electorate's response than with Mr Lee's doubts about the ability of his political heirs, he appears to have shelved the idea.

There seems little doubt that the PAP's long run of 70 per cent-plus majorities is over and that Mr Lee's party may be faced with an entrenched opposition vote not far short of 40 per cent.

Two questions arise from this. The first is how the PAP intends to respond to this new situation and the second is whether the opposition will be able to exploit it over the next four years and, if it does, how the government would react to a credible alternative.

On the first question, the ruling party appears to speak if not with two voices then with a different emphasis at different levels. Mr Lee remains implacable that the two-party system is not coming (and presumably will not be allowed to come) to Singapore. "We are," he has said, "an Asian society", suggesting that pluralism is an alien concept to Asia. He apparently worries about the trend towards greater freedom in countries with similar Confucian traditions such as Taiwan and South Korea.

Excellence in manufacturing

In eight seats, PAP's vote was below 55 per cent. In the country's largest constituency Mr Francis Seow, a former Solicitor-General, nearly pulled off a famous victory over the PAP candidate, despite being denied any coverage to speak of in the Government-controlled media.

Another sign that the Chinese-dominated PAP's absolute grip on power may be loosening is that Singapore's disadvantaged Malays who comprise 15 per cent of the population, voted against the government in large numbers in constituencies where they live. Overall, Malay representation in parliament went up from 9 to 10.

In most democracies a major-

ity of over 80 per cent (in Mr Lee's case and those of his second-in-command Ministers between 73 per cent and 81 per cent) would be a triumph. In Singapore, despite the governments' efforts to portray the result as a ringing endorsement, it is deeply worrying.

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Excellence in manufacturing



Left to right: Brigadier-General Lee Hsien Loong, Mr Goh Chok Tong, Mr Lee Kuan Yew

fashion a more sympathetic image for Singapore's younger voters, although he denies that image is the PAP's problem. "The problem is not becoming nice guys," he says, "or going to chase a vote. The problem is that the PAP has been in charge since 1959 and people are getting restless. They want some change, some movement."

Brigadier Lee says he does not rule out further major inroads into the PAP's support, although he says this would be a disaster. On the other hand, he does not believe that a one-party state is the answer. "Look at Burma. You have to rule by consensus, there is no other way."

Brigadier Lee's formula for retaining power is recruiting the best available talent for the PAP, listening more to people's grievances and addressing these and instilling the right values in young Singaporeans. The government, worried that the rush of Western influence on Singapore has eroded traditional Chinese values of obedience and respect for authority, wants to frame a national "ideology" to which voters can aspire.

It is hard to know what to make of all this. The government's actions are often at odds with its public concern with open government at least in

the form expressed by its younger leaders. The Opposition is still dealt with in an arbitrary manner. Mr Seow who, although he failed to win a seat, may sit in parliament under a law which says that the Opposition can make up its parliamentary membership to three if fewer candidates than that are elected, has been the target of a sustained campaign by the government.

The former Solicitor-General, who attracted substantially larger crowds at his election rally than anything the PAP could manage, was held for 72 days under the country's sweeping Internal Security Act for allegedly conspiring with a US State Department official to recruit Opposition candidates. In December, he will stand trial on six charges of tax evasion and, if he is fined more than \$2,000 (\$260), will be disqualified from taking his non-elected seat in parliament.

Meanwhile the government has delayed recalling the return of parliament which Mr Seow claims has been done solely to prevent him from taking his seat. "By intimidating me they put off others from coming forward," he says. "Their insecurities are very deep. Whatever they may say, the PAP has no intention of handing over or loosening its grip."

Singapore's first Opposition MP, Mr J B Jeyaratnam, who leads the Workers Party, was disqualified from parliament

for five years in 1986 after being fined \$55,000 and jailed for a month for falsifying his party's accounts. All this suggests that the answer to the second question - will the Opposition be able to exploit the growing unpopularity of Mr Lee's style? - is almost certainly "No". Neither Mr Seow, nor Mr Jeyaratnam or the SDP have the necessary qualities to mount an effective challenge to the PAP. There are few signs that a younger generation of leaders is rising to the surface, or at any rate, Singaporeans of the calibre of Mr Goh or Brigadier Lee. And, if it did, it would face the wrath of the PAP's formidable machine. None of this means that Mr Lee, who has ruled his 225-square mile domain with cunning and ferocity since he was 35, or his successors, will have an easy time of it.

Brigadier Lee's analysis of an increasingly restless population becoming ever more so as its expectations rise has the ring of truth. However, few believe that the PAP will relinquish power willingly. To the party and the government their continued dominance is a matter of nothing less than national survival. The dilemma facing Mr Lee's successors is how to hold on to power and ensure continued stability for Singapore while providing its population with enough of an outlet to feel that democracy is being exercised not just in theory but also in practice.

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MANUFACTURING

New strategy is for higher quality goods

MANUFACTURING saved Singapore during its first recession for 20 years in 1985. Now the sector must change its emphasis to survive beyond the year 2000, given its dependence on the electronics sector, overseas markets and chronic labour shortage.

The new strategy being promoted by the Economic Development Board. This could come in the form of a faster time to the market or better design to production process integration and better quality and service for the price. "Singapore cannot thrive and achieve its developed country goal by following a low-cost strategy," says the Board's chairman Philip Yeo. This is particularly the case when in competition with developing countries with large populations and substantial domestic markets. The alternative was product differentiation resources were too limited simply to offer a cheap base for production.

Efforts are being made, access to technology and external markets, which meant foreign investments to provide transfer technology and markets.

Dr S. Teshiba, from the Nomura Research Institute, said that 1985 would be crucial in determining the local economy's performance in the 1990s. "If Singapore does not pay attention to maintaining international competitiveness in the manufacturing sector, the economy as a whole could go through the shake-out as seen in 1985 [when the economy contracted 1.3 per cent]," he said.

The economy was changing direction to become more service-oriented, he said, but the service sector depended on other sectors, which caused his concern about manufacturing. He believed that competition on non-price factors, such as the quality and quantity of research and development and the sophistication of products, would provide a new basis for Singapore firms. "The major Singapore products now are price-competitive goods. In other words, the volume of production is essential to maintain competitiveness. Considering the size of the labour force, the Singapore economy faces physical constraints on producing more," he added.

Top-price competitiveness hinges largely on the quality of the workforce, which is determined by the quality of education and the emphasis put on values like professionalism and craftsmanship. Manufacturers have been thinking along the same lines. A survey by the National University of Singapore revealed that there was more concern about standards and high materials costs than labour.

Manufacturers must become more innovative and good marketers

Richard Hn. Finance Minister, reiterates the state's hopes: "We aspire to be a developed country by the turn of the century. Singapore will have to become a global city - a city of grace, beauty and culture, and yet a city of international business savvy. Singapore will offer to our customers the full range of business activities that will lead credibly to our role as a total business centre."

With the sea change, manufacturers must become more innovative and good marketers. Dr Hu suggested that the Singapore Manufacturers Association should educate its members about new technology and trends, improve productivity and organise international marketing efforts. The new breed of managers would have cross-disciplinary skills, workers would be rewarded with higher wages and welfare benefits, and personnel managers would practise psychology, sociology and empathy.

Joyce Quek



Mr Francis Seow

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SINGAPORE 3

## Roger Matthews looks at the country's economic recovery Growth more broadly based

THE PACE of the recovery in the Singapore economy from the 1983-6 recession has continued to surprise both private businessmen and the government. Although there may be some slight slackening off in the final quarter, real growth in the gross national product this year will edge into double figures, the best performance of the decade. Whereas last year's 8.8 per cent confirmed that the economy was again back on track, growth was still somewhat patchy. This year, however, it is more broadly based with construction the only sector still languishing.

The speed with which Singapore has bounced back reflects both the pragmatism and flexibility of the country's economic managers and the improvement in regional and

world trading conditions. Singapore dropped into the trough in 1985, rather later than comparable Asian countries and it sank rather deeper. As a result it has rebounded rather higher than the others, but then accelerated with greater vigour because it had more unused capacity with which to exploit the increased demand from its main OECD markets.

Singapore has also been assisted by the improved performance of its immediate neighbours. Malaysia, for example, has grown significantly faster this year than had been anticipated, in large part due to a surge in commodity prices. Thailand is also still growing strongly but depressed oil prices have checked Indonesia's progress. Singapore was also well positioned to take

advantage of the growth in demand, particularly from North America, for its higher technology products such as telecommunications equipment and computer software. Exports have again soared this year with sales to the US, its largest trading partner, likely to grow by close to 80 per cent in value during 1988. The ability of Singapore to take swift advantage of technological change has never been better illustrated than the statistic which shows computer disk

of the country's total manufactured exports.

Invisibles have been doing almost as well. Tourist arrivals have continued to climb even though the average length of stay remains obstinately low. Some hotels have stopped offering discounts as occupancy levels topped 80 per cent together with net capital inflows should more than offset a larger trade deficit this year which is likely to edge up to about US\$5bn from 1987's \$4.2bn. A further widening of the trade deficit is anticipated next year, but again this is unlikely to stop Singapore adding to its already substantial foreign exchange reserves of around \$17bn.

With unemployment having fallen to under 3 per cent, Dr Richard Hu, the Minister of Finance, deems it prudent to increase the foreign workers' levy payable by employers and, with competition increasing for skilled staff particularly in the

electrical and electronics sectors, it was clear that the upward pressure on wages was going to intensify.

This the government has largely been able to contain, partly through the discipline inherent in the extremely close relationship between the National Trade Union Congress and the ruling People's Action Party, but also by laying greater emphasis on bonus schemes and the introduction of a flexible wages system tied to productivity and profitability. However, it seems probable that wages will rise overall by 7-8 per cent in real terms this year.

The increase in productivity may be less than half this figure and although it does not indicate any immediate reduction in Singapore's international competitiveness, it is a trend which the government is watching very closely. Productivity growth is also notably smaller in the manufacturing sector (3.5 per cent last year), compared with financial and

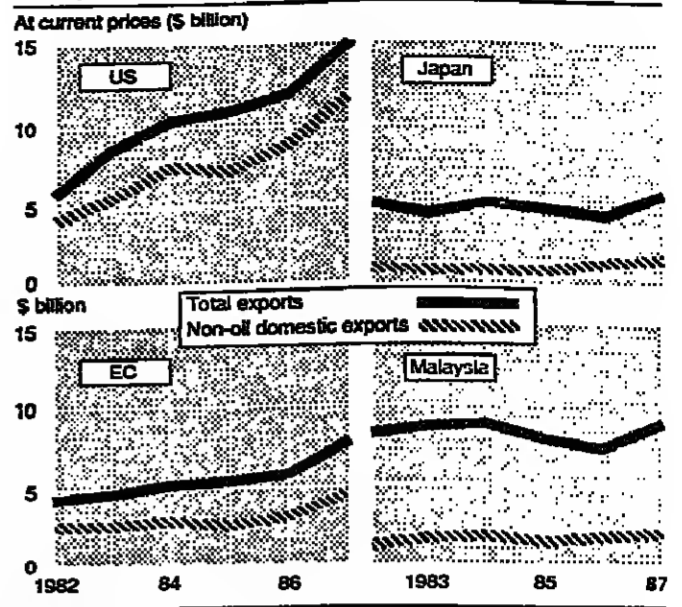
business services (7.6 per cent), transport and communications (6.5 per cent) and commerce (6.3 per cent).

With the recovery having created an additional 65,000 jobs last year and probably a further 35,000 in the first half of 1988, the problems of fulfilling demand with a total workforce of about 1.1m are obvious. By the end of last year unemployment had dropped to 2.8 per cent, the majority of whom are thought to be older workers with few skills.

It is therefore likely that 60-70 per cent of the new jobs created this year will have gone to expatriate workers, a trend the government has felt powerless to prevent but which it is anxious to check. The retirement age has already been lifted from 55 to 60 in some industries and efforts are being made to persuade more women to return to work after having children. But this can only ease the problem slightly.

Taken together with a rapidly ageing population profile,

### Singapore's major export markets



Singapore's labour constraints can only be eased through more capital-intensive industry, greater sophistication in services, and by investing yet more heavily in education and re-training, assuming of course that the government has for political and cultural reasons set a ceiling on the proportion of foreign workers it will allow into the country.

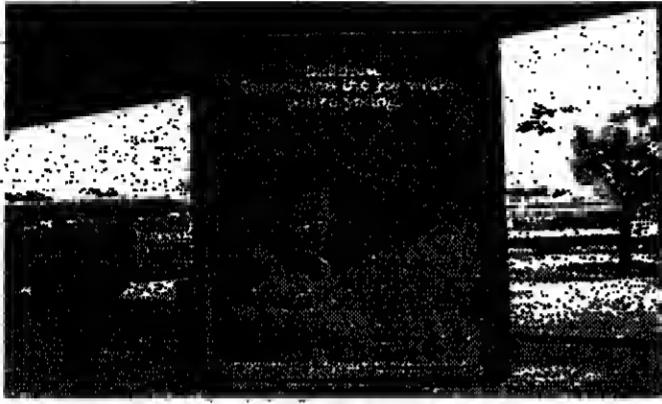
Some multinational companies have already seen the inevitability of transferring out of the country their more labour-intensive operations, although there is less evidence that enough of them are contemplating bringing in the research and development activities which the government wishes to attract.

The immediate labour pressures should ease somewhat next year, with most forecasts estimating that the economy will grow by 5-6 per cent in response to lower external demand, particularly from the US.

While the election of Mr George Bush may have helped to curb the worst protectionist fears, Singapore remains acutely sensitive to changes in international trading patterns and therefore the consequences of a more determined effort by Washington to address the issue of its twin deficits. It is also far from convinced that the creation of a single European market in 1992 will be of benefit to the newly-industrialising countries of Asia.

Although Singapore's exports to Japan rose by 30 per cent last year, much of the increase was accounted for by oil and the total remains little more than one third of its sale to the US. A substantial increase in regional trade in the next 10 years must be one of Singapore's best hopes for sustaining its impressive growth record.

### Alain Cass on foreign workers



A vigorous procession campaign is under way

ANYONE looking for reasons which might explain Singapore's sense of vulnerability need look no further than the Republic's labour shortage.

Most booming economies in East Asia have a large enough workforce to absorb as much growth as they can generate. Some, like Taiwan and South Korea, export their labour.

Singapore, on the other hand, exports its jobs in good times, sucking in foreign workers in their tens of thousands. When the economy contracts, it exports its unemployment, sending the same workers home in short order.

In 1985, as the world economic recession hit Singapore, over 50,000 foreign workers out of a total workforce of 1.2 million were sent home. It was a useful buffer which the government used skillfully to cushion its own population from the effects of the recession and the consequences of some of its own over-optimistic economic policies.

As the economy recovered in 1987, the process was put into reverse. Foreign workers from other Asian countries as far apart as India and South Korea were drafted in to fill semi-skilled and skilled jobs in shipbuilding, construction and factories which an increasingly affluent Singaporean society could ill afford.

As a policy of channelling investment into high technology, first introduced in the early 1980s as a way of giving Singapore an edge over its neighbours, bore fruit, this proved insufficient.

The rapid growth in foreign investment over the past two years in electronics and electrical goods, especially from Japan which became Singapore's largest foreign investor in 1988, has significantly increased the demand for labour.

The precise number of foreign workers in Singapore is a closely guarded secret by a government which is painfully conscious of the country's size and its delicate racial balance. The government will only say that it will not allow the number of foreign workers to grow beyond 25 per cent of the total workforce.

The implication is that there is still some room for growth but not as much as there has been in the past 20 years. The government has watched with alarm as population growth has slowed to a virtual standstill and is engaged in a vigorous campaign to encourage Singapore to procreate with patriotic enthusiasm.

Uncomfortable parallels are drawn with West Germany which has not only imported foreign labour in vast numbers but also the social problems

which tend to follow in their wake.

Singapore is determined not to make the same mistake. Foreign workers and their conditions of employment are controlled with Confucian vigour. Once the job is finished they are packed off home.

The problem, as one diplomat pointed out, is that in a country whose competitiveness is a national creed, the conflict between growth and social balance will always be there.

The cycle of rapid growth, sudden recession and more rapid growth, has also had a decisive impact on the government's traditionally rigid pay policy.

During the 1970s and 1980s, partly to encourage high technology and partly to encourage overall growth, the government made annual recommendations which both public and private sectors tended to follow when making wage settlements.

These were not aimed at keeping wages down but driving them up since collective bargaining tends to be a tame affair. Singapore's trade unions, far from being combative, have what they call a "sympathetic" relationship with the government. The last strike in Singapore took place in January 1986 and it was the first in seven years. The National Trades Union Congress, the Secretary General of which is also a Deputy Prime Minister, was the first to argue for across-the-board wage cuts in the recession of 1985-86.

The high wages policy came unstuck, however, when employers found themselves squeezed by the recession. Instead of being able to respond flexibly by adjusting

## Limit set at a quarter

wage settlements to profits, many simply went to the wall. Despite the cushion of foreign workers, unemployment, virtually non-existent in Western terms, soared to 6.5 per cent.

This year, for the first time, the government has abandoned national pay guidelines and is encouraging performance related pay awards by companies. It also wants companies to reduce 2 or 3 year wage settlements with workers, to standard 12 month agreements, just in case.

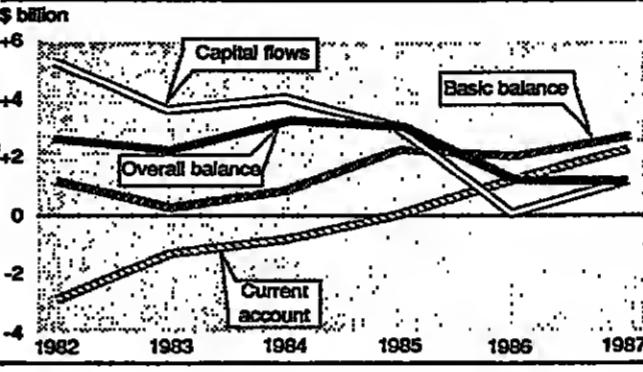
The exercise is not an academic one. It presupposes a stormy future. Mr Ong Teng Cheong, the NTUC's boss and Deputy Prime Minister, put it this way: "We must press on seriously with wage reform so that when the next recession comes, the trauma of retrenchments and unemployment can be cushioned or reduced."

The new policy, combined with severe labour shortages, especially in the banking sector, has driven some wage settlement to dangerous levels.

The Hongkong and Shanghai Bank provoked an uproar in the rest of the industry by offering its workers an increase of 33 per cent in an effort to attract administrative staff.

Singapore's belated conversion to market forces in the one area of the economy which it previously controlled rigorously, will undoubtedly cause it problems, inflation being the most obvious. However, the government hopes that, in time, the new policy will attract the kind of labour which Singapore needs to maintain its competitive edge in a region where economic success is becoming the rule rather than the exception.

### Balance of payments



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### FOREIGN EXCHANGE

## The number two slot

AFTER A disappointing first half, forex traders based in Singapore have justification for optimism. Volatility can do wonders and their astute reading of fluctuating circumstances has helped the city supplant Hong Kong as Asia-Pacific's second most active foreign exchange dealing centre.

Tokyo is number one with US\$100bn in daily turnover against Singapore's \$45bn. Hong Kong follows with \$30bn while Sydney's turnover is \$27m-\$30bn.

A big gap opened up in the respective daily turnovers of Singapore and Hong Kong a year ago. This has been attributed partly to the increasing currency transactions of Singapore's central bank. A brain drain from Hong Kong of 50 mostly experienced dealers over the past few years had also hurt.

Forex activities in Singapore are actively supported by the Monetary Authority of Singapore (MAS) and the Foreign Exchange Money Market Committee (FOMMC) formed in 1986 to develop and enhance the local market as a financial centre for risk management. The MAS started the ball rolling in 1982 with some huge dollar/third currency deals which pushed the year's trading to over \$5bn, attracted the attention of New York and London-based banks and edged the city ahead of Hong Kong.

The average 1987 trading volume of \$30bn, compared with

\$22bn in 1986 and \$12.5bn in 1985. The 1987 peak volume was \$40bn reached in October but that was beaten by \$63.4bn last July.

The turnaround came in June after a dull first quarter and lacklustre April-May. Once known more as a deposit centre, Singapore's forex dealing gained momentum when institutions hit by the recession and losses in consumer banking and corporate finance activities turned to dealing to generate income.

One dealer attributed renewed interest in the currency market to people who had burnt their fingers last October and now wanted to take positions at any time as the rates were monitored around the clock, unlike stock markets.

The deals are more cross-border than intra-bank, a situation the FOMMC is trying to alter, to allow more trades when international financial centres have holidays. With an eye towards those fleeing Hong Kong, it has, together with the MAS, introduced an "accelerated citizenship" scheme granting citizenship over a shorter period of time to dealers recruited abroad.

The gap between the top and also-runs among Singapore's 1,200 dealers is wide. An MAS survey disclosed that the top 20 among 106 banks earned over \$10m each, and 31 per cent of

the total \$650m treasury profits, while a third banked in less than \$1m.

Among the top 10 banks contributing over 50 per cent of the market volume are Citicorp, Morgan Guaranty Trust, UBS and Bankers Trust. Union Bank of Switzerland's zoom to the top ranks in forex trading in three years has been nothing short of phenomenal.

The FOMMC, controlled mostly by the representatives of foreign banks, believed that future business should come from commercial banks and corporate clients. At present, only one of the so-called big four local commercial banks is active in forex trading. But a massive education programme is called for. Fortune really favours the bold.

Morgan Guaranty Trust has proved that there is nothing wrong with being a one-trick pony, eschewing corporate finance and loans in favour of risk management following J.P. Morgan's lead into an investment bank selling securities, trading and corporate advice. It earned more than \$10m profits, all from treasury operation, more than half of which from forex trading of \$3bn daily. Citicorp is rated the top dealing bank trading \$4bn-\$5bn daily with a 10-15 per cent market share. It is believed there is nothing to prevent them doing \$10bn daily.

Joyce Quek



LEGAL COLUMN

# Firms show interest in multinational groups

By David Churchill

NEXT July is likely to see the real start of the UK legal profession's drive into continental Europe in a big way.

European Community regulations then coming into force will create new multinational groupings, called European Economic Interest Groups (EEIG), as part of the drive towards a single European market in 1992.

Already some leading law firms are understood to be holding detailed negotiations with their counterparts throughout the EC with a view to forming such groups.

They will enable partnerships of law firms to be created in all but name since European legal associations at present do not allow international partnerships to be formed.

The exact purpose of EC regulation 2137/85 is to "facilitate or develop the economic activities of its members and to improve or increase the results of those activities." However, what keeps the EEIG from being a full partnership agreement in its own right is the clarification that says its aim should not be to make profits for itself but for members of the EEIG.

While many partnerships throughout Europe are actively considering the potential of forming an EEIG, five firms throughout Europe have already set up the first one (or

as near as it can be until the law takes effect from next July).

Firms from France, Spain, Italy, Belgium, and Britain have come together to form an EEIG under the name of Pannone DeBacker.

**'We have been working together with our European partners for a long time'**

Manchester-based Pannone Blackburn explained that the new venture would effectively operate as one practice with five departments in Europe.

The firm said: "We think it makes more sense to have local firms in the arrangement rather than follow the traditional British approach of setting up local offices."

"We have been working together with our European partners for a long time and know them very well already, so it is a coming together of like minds rather than taking a risk with untried partners."

Even so, negotiations between the five took a year before the final agreement was drawn up. Apart from Pannone Blackburn, the other members are

DeBacker Godfrey Tanghe of Brussels, Chaney Baudouin Comon of Paris, Speredico Marsaglia of Milan, Jausat y Plato of Barcelona and Miguel Angel of Madrid.

Some firms, however, are taking a different route. Frere Cholmeley, one of the UK's leading commercial law firms, has set up an Anglo-German group - a multi-disciplinary team from the firm's company, commercial and litigation departments in London, Paris, and Monaco. It will be headed by Dr Michael Carl, who is qualified in both English and German law and has been admitted to the courts of both countries. The group will offer a bilingual service on all aspects of Anglo-German law and its impact on the EC.

He said: "West Germany is second only to the US as Britain's most important trading partner and we anticipate increasing growth as 1992 approaches."

Boodie Hatfield last week also recruited Antonio Irastorza, who was admitted to the Madrid Bar in 1985 and qualified as an English solicitor in 1987, to help develop its UK/Spanish services.

EEIGs, of course, would become largely superfluous if all the European legal associations agreed to allow partnerships to be set up as well as accepting legal qualifications.

Mr Francis Maude, the corporate affairs minister at the Department of Trade and Industry, recently pointed out that "if you wanted to be able to practise law in a fully-qualified capacity in every member state, you would have to train for over 50 years - so you would be drawing your pension before you had embarked on your career!"

However, he told his audience of lawyers that all was not lost. He said: "The directive of mutual recognition of higher education diplomas will greatly facilitate freedom of movement for professionals in the EC, by making their qualifications acceptable in any member state."

Mr Maude added: "The Government strongly supports this directive." It offered the professions the challenge of increased competition in the host state and, in other member states, the opportunity to compete on equal terms with nationals.

THE TRADITIONAL sole right of solicitors to brief barristers is under threat from the Bar Council. From next year it is likely that members of other professions will have the right of direct access to barristers. A committee, drawn from members of the various spe-

cialist associations within the Bar and its professional standards committee, will lay down the criteria on which the Bar Council will give its approval to professions seeking direct access.

These criteria will be decided "as soon as possible" but are expected to be in place by the beginning of next January.

This committee will then sift all applications from members of other recognised professional bodies. It will also be asked to resolve any problems arising in connection with a particular application or as a result of the experiences of individual barristers advising those granted direct access.

**'Another practical step towards offering the most efficient and cost effective service'**

Robert Johnson, QC, chairman of the Bar, described the move as "another practical step towards offering the public the most efficient and cost effective service."

He added: "While we must consider carefully what parameters to apply, there is no good reason for denying

direct access to other professional men and women in cases where they are capable of preparing the details of the matter. These changes will make briefing counsel both quicker and cheaper for our lay clients."

THE SUGGESTION in a recent column about the poor way that women in the legal profession are treated clearly touched a raw nerve. Comments from women solicitors who feel the profession treats them as second-class citizens were most common, although some (albeit male) correspondents believed that the greater intake of women into the profession would inevitably see them getting a better deal in the years ahead.

Anna Turnbull-Walker, a partner in the Gravesend firm of Hatten Wyatt, emphasises that she works on a flexible basis rather than part time. "I fall to accept that it is impossible to re-educate clients not to expect lawyers to be available for 24 hours a day, seven days a week," she says. "It is not expected of other professions." "I run the criminal department in my firm, which is a very busy department, and have rarely experienced difficulties in not generally being available in the afternoon."

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Alliance Unit Trusts, Aegis Unit Trusts, AEA Unit Trusts, and others, including their names and brief descriptions.

Table listing unit trusts under the heading 'Alliance Unit Trusts' and 'Aegis Unit Trusts', providing details on their assets and performance.

Table listing unit trusts under the heading 'AEA Unit Trusts', detailing their investment focus and financial metrics.

Table listing unit trusts under the heading 'Alliance Unit Trusts', including information on their structure and management.

Table listing unit trusts under the heading 'Aegis Unit Trusts', providing a comprehensive overview of their offerings.

Table listing unit trusts under the heading 'AEA Unit Trusts', detailing their investment strategies and returns.

Table listing unit trusts under the heading 'Alliance Unit Trusts', including their names and key features.

Table listing unit trusts under the heading 'Aegis Unit Trusts', providing details on their asset management.

Table listing unit trusts under the heading 'AEA Unit Trusts', detailing their performance and investment goals.

JOTTER PAD

Handwritten notes and scribbles on a grid background.

CROSSWORD

No. 6791 Set by TANTALUS

Crossword puzzle grid with numbers indicating starting positions for words.

- ACROSS
1 Disaster if returning to race-course without leadlog trainer (6)
4 They may be used to improve locks (8)
10 Attendants, maybe too born same time as us (9)
11, 12, 16, 27 For The sport to have the engineer (Hamlet) (8,3,3,5,5)
13 Drunken uncle left a feeling of discomfort (10)
15 Pragmatist in Korea - listen to him! (7)
16 See 11
19 Hound a spy (6)
21 Stumble on oil produced in Libya (7)
23 Simple oriental chaps meet sailor in city (10)
25 Leaders of Asian camp made Everest peak (4)
27 See 11
29 Get a waiscoat in attempt to have burglar (8)
30 Make final payment for bench (6)
DOWN
1 Type of carpentry that makes one worry? (14)
2 Against business with this blowing up? (9)
3 Moody for example (4)
5 Seeing animal, they each scatter without youth leader (7)
6 Other classic characters have no hesitation in being pedantic (10)
7 Giant constellation (5)
8 You shouldn't miss it! (6)
9 Gamble everyone goes in dancing (6)
14 Unmarried actor finds part of horse's harness (10)
17 Skill in 1 down for instance (9)
18 Crocidolite makes ferocious beast look (5-3)
20 Rescue men not to start on beseech excursion (7)
22 Letargic crew at Oxford (6)
24 Autocrat posted letters (6)
25 Run a special edition (5)
26 Small child with German going to Egypt (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 3.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new investors. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
THE STAMEN SPREAD
The stamen spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However, the bid price might be moved to the cancellation price to circumstances in which there is a large excess of sales of units over buyers.
TIME
The time shown alongside the fund manager's name in the table is the unit trust's daily starting price. These prices are normally set unless another time is indicated by the printed alongside the individual unit trust name. The symbols are as follows: \* - 0001 to 1100 hours; \* - 1101 to 1400 hours; \* - 1401 to 1700 hours; \* - 1701 to 1800 hours.
HISTORIC PRICING
The letter 'H' denotes that the managers will deal on a historic pricing basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the best available before publication and may not be the current dealing levels because of an intervening volatility in the market or a switch to a forward pricing basis.
FORWARD PRICING
The letter 'F' denotes that prices are set on a forward basis so that investors can be given a definite price in advance of the purchase or sale being carried out. The prices appearing in this newspaper show the prices at which deals were carried out last Friday. Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

Handwritten signature or mark at the bottom of the page.

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FT UNIT TRUST INFORMATION SERVICE

Main body of the document containing a dense grid of unit trust information, including company names, fund names, and numerical data.

INSURANCES

Table listing insurance-related unit trusts and their details.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts and their details.

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized in columns by provider (e.g., Norwich Union Life Assurance, Prudential Assurance Co Ltd, etc.) and listing various fund names with their respective values and performance metrics.

MANAGEMENT SERVICES

List of management services providers including David M. Adams, Yorkville & Lancaster Investment, etc.

OFFSHORE AND OVERSEAS

UK LISTED section listing various international and offshore investment funds.

Summary table for IGM AUTHORIZED, listing various authorized investment managers and their associated funds.

OFFSHORE INSURANCES

Table listing offshore insurance providers and their services, including Allianz International Assurance Ltd.

Handwritten signature: J. P. MacIsaac

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FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts with columns for Name, NAV, and other financial details.

Table listing other offshore funds with columns for Name, NAV, and other financial details.

LONDON SHARE SERVICE

Table listing British Funds, Foreign Bonds & Rails, and American funds with columns for Name, Price, and other details.

Table listing Money Market Trust Funds and Money Market Bank Accounts with columns for Name, Price, and other details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 American Express, 1000 American Intl, etc.

CANADIANS

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Canadian Intl, 1000 Canadian Intl, etc.

BANKS, HP & LEASING

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Bank of Montreal, 1000 Bank of Montreal, etc.

BUILDING, TIMBER, ROADS - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Building Group, 1000 Building Group, etc.

CHEMICALS, PLASTICS

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Chemicals Group, 1000 Chemicals Group, etc.

DRAPERY AND STORES

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Drapery Group, 1000 Drapery Group, etc.

BUILDING, TIMBER, ROADS

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Building Group, 1000 Building Group, etc.

ELECTRICALS

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Electricals Group, 1000 Electricals Group, etc.

ENGINEERING - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Engineering Group, 1000 Engineering Group, etc.

ENGINEERING

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Engineering Group, 1000 Engineering Group, etc.

ENGINEERING - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Engineering Group, 1000 Engineering Group, etc.

FOOD, GROCERIES, ETC

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Food Group, 1000 Food Group, etc.

HOTELS AND CATERERS

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Hotels Group, 1000 Hotels Group, etc.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Industrials Group, 1000 Industrials Group, etc.

INDUSTRIALS (Miscel.)

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Industrials Group, 1000 Industrials Group, etc.

INDUSTRIALS (Miscel.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Industrials Group, 1000 Industrials Group, etc.

INSURANCES

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Insurance Group, 1000 Insurance Group, etc.

LEISURE

Table with columns: Market, Stock, Price, Div, Yield, Last, Bid, Ask, Volume, etc. Includes entries like 1000 Leisure Group, 1000 Leisure Group, etc.

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LONDON SHARE SERVICE

LEISURE - Contd

Table of Leisure stocks including titles like Leisure TV, Leisure Group, Leisure Leisure, etc.

PROPERTY

Table of Property stocks including titles like Property Group, Property Services, etc.

TEXTILES - Contd

Table of Textiles stocks including titles like Textiles Group, Textiles Services, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, and Land stocks including titles like Trusts Group, Finance Services, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including titles like Oil Group, Gas Services, etc.

MINES - Contd

Table of Mines stocks including titles like Mines Group, Mining Services, etc.

TOBACCO

Table of Tobacco stocks including titles like Tobacco Group, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, and Land stocks.

OVERSEAS TRADERS

Table of Overseas Traders stocks including titles like Overseas Group, etc.

PLANTATIONS

Table of Plantations stocks including titles like Plantations Group, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors and Aircraft Trades stocks including titles like Motors Group, etc.

Commercial Vehicles

Table of Commercial Vehicles stocks including titles like Commercial Group, etc.

Components

Table of Components stocks including titles like Components Group, etc.

Garages and Distributors

Table of Garages and Distributors stocks including titles like Garages Group, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers and Publishers stocks including titles like Newspapers Group, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, and Advertising stocks including titles like Paper Group, etc.

SHIPPING

Table of Shipping stocks including titles like Shipping Group, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including titles like Shoes Group, etc.

SOUTH AFRICANS

Table of South African stocks including titles like South African Group, etc.

TEXTILES

Table of Textiles stocks including titles like Textiles Group, etc.

OIL AND GAS

Table of Oil and Gas stocks including titles like Oil Group, Gas Services, etc.

Central Rand

Table of Central Rand stocks including titles like Central Group, etc.

Eastern Rand

Table of Eastern Rand stocks including titles like Eastern Group, etc.

Far West Rand

Table of Far West Rand stocks including titles like Far West Group, etc.

D.F.S.

Table of D.F.S. stocks including titles like D.F.S. Group, etc.

Diamond and Platinum

Table of Diamond and Platinum stocks including titles like Diamond Group, etc.

Central African

Table of Central African stocks including titles like Central African Group, etc.

Finance

Table of Finance stocks including titles like Finance Group, etc.

THIRD MARKET

Table of Third Market stocks including titles like Third Market Group, etc.

NOTES

Textual notes regarding stock market regulations and procedures.

REGULATIONS

Textual regulations regarding stock market operations.

DIAMOND AND PLATINUM

Textual information regarding diamond and platinum markets.

Central African

Table of Central African stocks.

Finance

Table of Finance stocks.

Australians

Table of Australian stocks.

IRISH

Table of Irish stocks.

TRADITIONAL OPTIONS

Table of Traditional Options including titles like Traditional Group, etc.

INDUSTRIALS

Table of Industrial stocks including titles like Industrial Group, etc.

PROPERTY

Table of Property stocks including titles like Property Group, etc.

OILS

Table of Oil stocks including titles like Oil Group, etc.

MINES

Table of Mines stocks including titles like Mines Group, etc.

Additional notes and information at the bottom of the page.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trying times for the US dollar

by Jonas Crosland

DOLLAR TRADING is likely to start on a cautious note this morning, with the currency market waiting to see how central banks act. Dealers in London will be hoping for some lead from trading in Tokyo in particular for any signs of Bank of Japan intervention.

Further intervention by the Group of Seven countries could keep the dollar off the critical list, at least initially, but markets are looking for some concrete action on the twin US budget and current account deficits. They view G7 support as purely a short term mechanism likely to do little more than control the dollar's decline.

There is now a reluctant acceptance in the currency markets that little fundamental can be done until the incoming Bush Administration is in position in Washington towards the end of January. Investors will by then be looking for positive policy decisions on the deficit and not just ad hoc G7 intervention.

High US interest rates would, of course, make investors sit up and look at the narrowing differential between say, Euro-dollars and Euro-sterling, or the increasing attraction of dollar deposits over yen or D-Marks. Nonetheless, the key question remains: would the premium be sufficient to allay fears about potential exchange rate losses? For the moment the answer is a fairly definitive no, and the prospects of higher rates soon, were not particularly enhanced in comments made last week by Mr Nicholas Brady, the US Treasury Secretary, now confirmed in that office by President-elect Bush.

His attempt to calm foreign exchange markets largely backfired. By suggesting that the US Administration should not be panicked into pushing up rates to defend the dollar, it being after all, a fundamentally strong currency, he managed to conflict with the market's view of things. Its inevitable narrow focus suggests that the dollar is not, as of now anyway, a strong currency, and that a failure to raise US rates will accelerate its steady decline.

Euro-dollar interest rates have edged up half a point over the past month, yet last week, when dollar markets really started to build, the change was marginal. At the same time, the US Federal funds rate, regarded from time to time as a barometer of official thinking, has hardly moved in the past week. The key short term question remains: how will central banks act today? Many investors had covered their short

positions last week before central banks moved in on the market. Hence the bear squeeze turned out to be a painless affair, and certainly nothing like the squeeze brought by the G7 last January. As Mr Nick Parsons, group economist at Union Discount, pointed out: "The market will not now be short of dollars and is better poised technically, for a further drop."

If the dollar is to fall further, investors must quickly find

which other currency is the best buy of the day. Sterling is attractive, in that sterling denominated paper offers a higher return than in any other major currency.

However, the release on Friday of UK trade figures for October, adds a further complication to the quest for the best current return. Mr Nigel Lawson, UK Chancellor of the Exchequer, has already said that the current account deficit is likely to be one of the last

economic indicators to benefit from the current tight monetary policy, and hence those investors waiting to be pleasantly surprised on Friday are in the minority.

Forecasters in the market are looking for a current account deficit around the £10m mark, compared with September's narrower than expected shortfall of £560m. Any figure significantly worse than that will provide another test for sterling confidence.

£ IN NEW YORK

Table with columns: Nov. 18, Close, Previous Close. Rows include 1 month, 3 months, 6 months, 12 months.

STERLING INDEX

Table with columns: Nov. 18, Previous. Rows include 5.00, 4.00, 3.00, 2.00, 1.00, 0.00.

CURRENCY RATES

Table with columns: Nov. 18, Bid, Offer, Special, Previous, European. Rows include Sterling, US Dollar, Swiss Franc, etc.

CURRENCY MOVEMENTS

Table with columns: Nov. 18, Base of Index, Morgan's Change. Rows include Sterling, US Dollar, Swiss Franc, etc.

OTHER CURRENCIES

Table with columns: Nov. 18, £, S. Rows include Argentina, Australia, Brazil, Canada, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Nov. 18, Short term, 7 days, One month, Three months, Six months, One year. Rows include US Dollar, Sterling, etc.

EXCHANGE CROSS RATES

Table with columns: Nov. 18, £, S, DM, F Fr, S Fr, H Fl, Lira, CS, O Fr. Rows include £, DM, S Fr, etc.

DOLLAR SPOT-FORWARD AGAINST THE POUND

Table with columns: Nov. 18, Day's spread, One month, Three months, Six months, One year. Rows include US, Canada, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns: Nov. 18, Day's spread, One month, Three months, Six months, One year. Rows include UK, France, etc.

MONEY MARKETS

A change in the longer view on interest rates

A RISE in UK interbank rates is slowly, but steadily beginning to focus attention on base rates. Most market players still believe that calls for a hike to 12 1/2% or 13% in base rates are premature. But a changing pattern in the current yield structure, could be giving early signs of what may be, the writing on the wall.

The yield curve has clearly flattened over the past week, and only one sixteenth of a point prevents the structure from being positive out to one-year.

There are two main reasons for this change of heart. A gentle rise in US rates suggests that, in order to maintain the current interest rate differential, UK rates are having to show a similar rise. Secondly, the market is showing increased concern about inflation, and the pace of economic growth. Some success has been

achieved in slowing things down, in the housing market for instance, but it is not sufficiently clear from official data, that the tightening in monetary policy, implemented in the summer, is having the desired effect, just yet.

Further evidence of the market's concern can be seen

through the performance of short-sterling futures, in the London Life market. The March contract has fallen significantly in the past week from 83.14 to 82.76.

For the time being, the UK authorities are probably happy to leave base rates where they are, and wait until the New Year, for fresh pointers on the level of demand in the economy.

UK clearing bank base lending rate 12 per cent from August 23 & 28

MONEY RATES

Table with columns: NEW YORK, Treasury Bills and Bonds. Rows include 4pm, Prime rate, Fed funds rate, etc.

Table with columns: Nov. 18, Overnight, One month, Two months, Three months, Six months, Lend/bid. Rows include Frankfurt, Zurich, etc.

LONDON MONEY RATES

Table with columns: Nov. 18, Overnight, 7 days, One month, Three months, Six months, One year. Rows include Interbank Offer, etc.

FT LONDON INTERBANK FIXING

Table with columns: 11.00 a.m. Nov. 18, 3 months US dollars, 6 months US dollars. Rows include 3M, 6M.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Nov. 18, Nov. 11, Nov. 11, Nov. 11. Rows include Bill on offer, etc.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Nov. 18, Change, Nov. 11, Change. Rows include LONDON, NEW YORK, TOKYO, etc.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY NOVEMBER 18 1988, THURSDAY NOVEMBER 17 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, etc.

The World Index (2462)... 136.05 +18.3 111.04 118.75 -2.31 135.51 110.29 118.21 136.05 113.37 110.43

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright: The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987

Markets closed on November 18 in Belgium and France. CONSTITUENT CHANGES: Deletions: Buitenkord & resp. (Italy), Hall (M) and Pilgrim House (both U.K.)

EUROPEAN OPTIONS EXCHANGE

Table with columns: Nov. 18, Nov. 17, Dec. 89, Jan. 90, Feb. 90, Mar. 90. Rows include EDE Index, etc.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Latest, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Latest, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030.

BASE LENDING RATES

Table with columns: Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate. Rows include ABB Bank, etc.

DANISH INDUSTRY & EXPORTS & EXPORTS The Survey of Danish Industry & Exports will now be published on Wednesday November 23rd.

VIDEO TAPE RECORDING PLC (The Company) Incorporated in England under the Companies Act 1948 to 1981 with Registered Number 10246131 INTRODUCTION TO THE UNLISTED SECURITIES MARKET arranged by STOCK BEECH & CO. LIMITED SHARE CAPITAL AUTHORIZED £400,000 ISSUED AND PAID £245,400

BTR plc (Registered in England No. 57410) ISSUE OF 51,408,438 WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES IN THE COMPANY The Company has made a free issue of Warrants to existing Shareholders in the proportion of one Warrant for every 33 Ordinary Shares held. Each Warrant entitles the holder to subscribe for one Ordinary Share of 25p in the Company at a subscription price of 28 1/2p (subject to adjustment). The Warrants are in registered form and may be exercised in either 1992 or 1993 during any of the 30 day periods each commencing on the dates falling one day after the date of posting of the Annual Report and Accounts and the interim results of the Company in those years.

Handwritten note: 10/21/88

WORLD STOCK MARKETS

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Table of stock market data for various countries including Australia, France, Germany, Italy, and Switzerland. Columns include country, stock name, price, and change.

Table of stock market data for Canada and Toronto. Columns include stock name, price, and change. Includes a sub-section for 'TORONTO Closing prices November 18'.

Table of stock market data for Japan and other Asian markets. Columns include stock name, price, and change.

Table of stock market data for New York and Dow Jones. Includes 'NEW YORK DOW JONES' and 'NEW YORK ACTIVE STOCKS' sections.

Advertisement for 'Have your F.T. hand delivered in Germany'. Includes text about the Financial Times newspaper and contact information for Frankfurt 0130-5351.

4pm prices November 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like '12 Month', 'High', 'Low', 'Close', 'Change', and 'Open'. It lists numerous individual stocks and their corresponding market data.

Continued on Page 45

Handwritten note: 'No 10/10/88'

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change. Includes a section for 'AMX COMPOSITE PRICES' at the bottom.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change. Includes a section for 'AMX COMPOSITE PRICES' at the bottom.

Nasdaq national market, 4pm prices November 17

AMX COMPOSITE PRICES

Table of AMX Composite Prices listing various stocks with columns for stock name, price, and change.

AMX COMPOSITE PRICES

Table of AMX Composite Prices listing various stocks with columns for stock name, price, and change.

Advertisement for 'Free hand delivery service' for Madril, Barcelona, Bilbao, and Sevilla. Includes contact information for Athens and a logo for Financial Times.

Sara Webb talks to Peter Wallenberg, head of Sweden's leading industrial dynasty

Keeping the blue chips in the family



Benefits of being a 'thick' manager

If you are a manager and have been called "thick"...

Provocative word-pairings

While Quinn has gone on to other subjects - the changing relationships between manufacturing and service - Mintzberg is having a fresh crack at his old target.

Trial-and-error process

Mintzberg also rolled against "rationalise", that fashionable word with several meanings...

Christopher Lorenz

It is sometimes said that there are two enduring grandees in Sweden, the Social Democratic Party...

PERSONAL FILE 1926 Born 1953 Bachelor of Laws from University of Stockholm...

Paris in 1932, Marcus was also instrumental in creating SAS (Scandinavian Airlines System)...

industry confirmed what most Swedes know from a cursory glance at an hourly guide, namely that the Wallenbergs are "without comparison the largest owners in Swedish industry."

The report delicately skirted the question of whether such a concentration of power is desirable. But it poses a dilemma for Sweden's egalitarian Social Democrats...

So are the Social Democrats no longer the friends they once were to Swedish industry? "I find it very difficult to read their mind. It seems to me that the Social Democrats feel forced to satisfy the whims and desires of the majority of people first and that industrial problems often have to take second place."

Nor is he a great admirer of the actions of the Prime Minister, Mr Kjell-Olof Feldt, who is generally popular in Swedish financial circles. They are credited with helping to put the Swedish economy back on its feet since 1982, with the help of tax increases, a hefty devaluation, and a forcing fall in the oil price and dollar.

Instead, Peter Wallenberg points to the "unacceptable" Swedish disease of rising inflation and wage increases well above the OECD average, which the finance minister seems powerless to bring down. He says the remedy has been to raise taxes to a level unequalled in the history of the industrial world...



'It is becoming impossible to produce economically in Sweden'

"It is becoming increasingly impossible to produce locally in Sweden economically in many areas of industry. Swedish industry is very nationalistic but it might end up having to close down factories in Sweden."

His early career bears out this contrary streak. His elder brother Marc followed family tradition by joining "The Bank" (Stockholm's Enskilda Banken merged in 1972 with Skandinaviska Banken, a private commercial bank...

When he eventually took over as head of the Wallenberg empire, critics expressed doubts over Peter's ability to step into his father's shoes. Stung by his premature judgement, his reaction, according to one close associate, was: "Til damn well show them."

He had started his career as a salesman at Atlas Copco, at the time a small mining equipment company, and clearly enjoyed the work, driving around Rhodesia in a clapped-out van. There is a hint that he preferred it to the global juggling he does today...

step up the size of their minority holdings to fend off unwelcome raiders. Even though Sweden's pattern of industrial ownership has remained extraordinarily stable in its upper echelons...

Peter's response was to buy up shares in Volvo, eventually forcing a "mutual agreement" to divest soon after.

Though Swedish business circles are not given to unfriendly takeovers, there have been other stealthy moves. Like Trollberg's decision to buy 10.1 per cent of SKF, and the Lundberg family's purchase of a 25 per cent stake in Alfa-Laval.

Freedom of expression depends on reform

When the British Government unfolds its legislative programme for the coming session of Parliament in the Queen's Speech tomorrow, it will be looking for parliamentarians directly on some fundamental freedoms of human rights. Yet, whence do parliamentarians today find their text for matching statutory provision against the basic freedoms upon which our democracy is based?

heels of divisive public views about the Cleveland Inquiry and other child abuse cases, will involve some acute issues. Almost all the projected changes in the law concern the rival principles of children's need to be protected by officialdom against parental cruelty or neglect and the rights of parents to bring up their own children without interference from authority...

try or even an ordinary enactment setting down the fundamental freedoms to guide legislators and courts. None appears, moreover, to be forthcoming. Although the Prime Minister is reported to be saying that before Britain could engage in a conference on human rights in Moscow in 1991, "freedom must be statutory" in the Soviet Union, the present government apparently thinks that this country can live happily in freedom without precise legislative precept.



JUSTINIAN

NOTICE OF MEETING SAVE & PROSPER FINANCIAL SECURITIES FUND NOTICE IS HEREBY GIVEN to the holders of a Bearer Certificate that a meeting of the holders of units in the Save & Prosper Financial Securities Fund ("the Trust") will be held at One Finsbury Avenue, London EC2M 2DQ on Wednesday, 7th December 1988 at 9.30 a.m. for the purpose of considering, and, if it is thought fit, passing the following resolutions...

# TOP 500

1988

THIS IS the seventh year in which the FT TOP 500, a survey of Europe's biggest companies, has been conducted. The main list looks at all publicly quoted European companies, and ranks the 500 biggest by market capitalisation, taken as an average for the month of June this year and

translated into US dollars. A second list ranks the top 500 companies in the UK stock market, which is by far the biggest in Europe. A company's capitalisation is the number of its shares multiplied by the price of its shares, and therefore measures the value of a company in the eyes of investors.

It is chosen as a yardstick because it has a number of advantages over other methods. It is a good guide to performance over time; it gives a proper weighting to banks, whose positions are distorted in lists based on turnover; and it takes proper account of loss-making companies which disappear from lists based

on profits. The stock market varies from one country to another. It is particularly important in the UK, whereas in West Germany the banks play a larger role in corporate finance, and in France and Italy many of the biggest groups are state-owned. To take account of these factors,

a separate list is included of the top 100 European concerns, whether publicly or privately owned, ranked by turnover. The Top 500 tables analyse the key figures on each company included - turnover, profits, return on capital employed, and the number of employees.

Other tables list the biggest employers, look at the most profitable stock market sectors, and list the biggest profit increases and decreases. There is also a separate table ranking the top 100 UK investment trusts by market capitalisation.

- Familiar names drop out of the list
- Volatility and M&A leave their mark
- Europe rolls back the public sector

## 'Get big' the cry as 1992 approaches

TWO BOLD themes - share price volatility and takeover and merger activity - have stamped an indelible mark on this year's FT Top 500, an annual survey of the leading European companies ranked according to stock market capitalisation. If not entirely unprecedented, both themes have been intense enough to send economic historians hunting through the record books. Taken together, they have had a quite dramatic impact, distorting the rankings in many instances and making for a wholesale clear-out of one-familiar company names.

The collapse of stock markets worldwide in October 1987 has historic parallels, notably 1929-30 in this century. But there can have been few occasions when takeover and merger activity in Europe has worked itself up into quite such a fever. The proximity of 1992, and the formation of a single European Community market, has been an obvious influence on the deal-makers. Whole industries have been forced to think hard about market share and competition, and in the process the rush to get big has created an avalanche of takeovers, mergers and co-operation deals.

But in a perverse way, stock market weakness has supplied equal impetus. Investors may have been scared off equities by the traumas of 1987, but for the corporate world the share price shakeout created a clear-cut opportunity - and it is one that Europe in particular was quick to seize.

Leap-frogging national boundaries became a favourite game, with business leaders right across the continent suddenly seeing themselves as operators on an international scale. According to Price Waterhouse, European Community companies spent more than three times as much on foreign businesses as North American companies in the 12

**500 capitalisation by country**

UK	518,536.0
Germany	155,033.4
France	103,545.4
Switzerland	97,838.6
Netherlands/UK	66,591.7
Italy	60,717.2
Sweden	52,386.7
Spain	45,521.4
Belgium	38,794.0
Netherlands	31,289.0
Finland	19,601.3
Sweden/Switzerland	5,874.3
Ireland	5,136.6
Denmark	4,506.4
Norway	4,503.8
Austria	1,683.3

months to June 1988. And during the first half of 1988 there were no fewer than 19 transnational takeovers worth \$500m or more. Many observers pinpoint corporate share-buying as the main reason for the recovery in bourse values through most of 1988. This investment pattern has been strongly apparent in Europe. Recent research by Salomon Brothers suggests that the buying of strategic holdings by companies, excluding takeovers, accounted for some 60 per cent of the cash

supply to European stock markets since January 1988. For the FT Top 500, this high level of deal-making has meant a plethora of new big names, notably LVMH in France, Asea-Brown Boveri in Sweden and Switzerland, and a number of big newly-formed Spanish banking groups. At the other end of the scale, relegation has been less painful than usual. More than 8 per cent (41 companies) fell out of the rankings, but many - Bill Samuel and Equity and Law Life, in the UK, and Telemecanique in France - reappeared in a new guise as a result of takeovers.

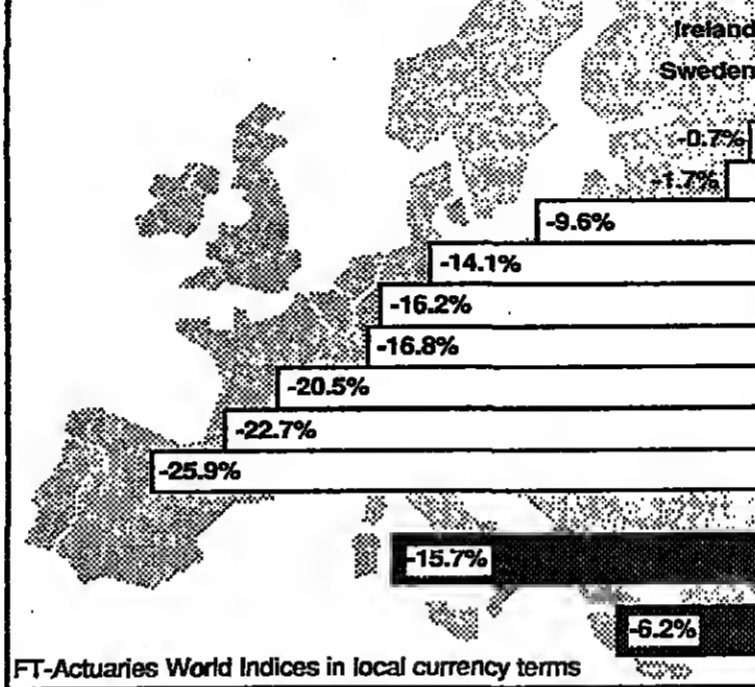
The top tier has had its shaky moments, despite the now traditional attempt to present an unchanging face. Once again Royal Dutch/Shell is first, capitalised at \$51bn, a sixth less than its share market value 12 months earlier; and there are no surprises in the fact that British Telecom and British Petroleum are second and third.

In fact, the whole top 20 is a repeat of the previous year's rankings, except for the inclusion of Hoechst, the West German chemicals group, and BTR, the UK diversified industrial group.

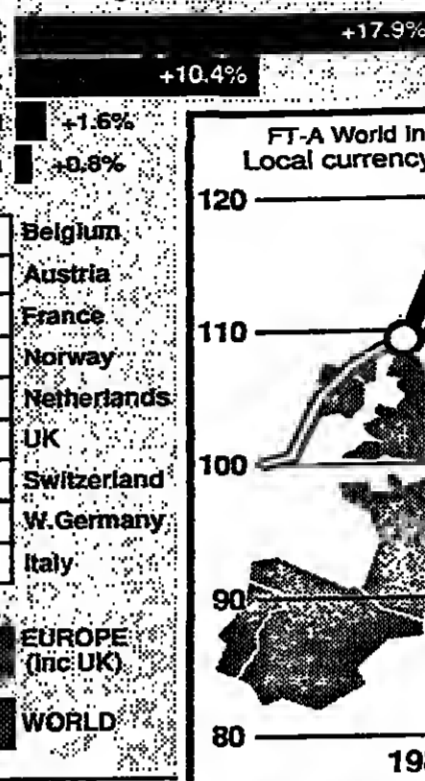
But there have been some surprisingly steep movements within the overall line-up: slugging off the weakness of the Italian stock market, Fiat has moved up from ninth to fourth place; Siemens, which cut its dividend and sent German investors diving for cover, has dropped from seventh to 13th. But, as always, the reader will more readily wish to focus

### How the stock markets have moved

12 months to end June 1988



### Percentage change in local currency



Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries & the Faculty of Actuaries

### Europe's biggest employers

Rank	Company	Country	Sector	Top 500 Rank	No. of employees
1	Siemens	Ger	541	13	359000
2	Philips	Ger	541	59	336700
3	Daimler Benz	Ger	401	8	326700
4	Unilever NV/PLC	Nuk	451	5	294000
5	Fiat	Ita	401	4	270578
6	Volksagen	Ger	401	79	260453
7	British Telecom	UK	223	2	237205
8	COE	Fra	221	83	219500
9	BAT Industries	UK	171	14	168949
10	Hoechst	Ger	622	19	167781
11	Asea Brown Boveri	Swi	541	40	166768
12	Bayer	Ger	622	16	164100
13	Nestle	Swi	451	8	163030
14	Peugeot	Fra	401	44	159300
15	General Electric	UK	541	29	157282
16	Royal Dutch/Shell	Nuk	212	1	136000
17	BASF	Ger	622	24	133759
18	Saint Gobain	Fra	611	70	131324
19	Grand Metropolitan	UK	421	28	129436
20	ICI	UK	622	10	127800
21	British Petroleum	UK	212	3	126400
22	Lorho	UK	171	178	124484
23	Thyssen	Ger	633	132	123400
24	BET	UK	171	111	118103
25	Mannesmann	Ger	568	150	113274

### \$ Exchange rates (June averages)

Currency	1988	1987	% change	1986
Austrian Schilling	12.3585	12.7831	-3.32	15.6977
Belgian Franc	36.7523	37.8818	-2.47	45.3734
Danish Krone	8.8821	8.8457	+0.41	8.2734
Finland Markka	4.1828	4.4187	-5.79	5.2778
French Franc	5.9294	6.0728	-2.36	7.1185
German Mark	1.7571	1.8186	-3.38	2.2241
Irish Punt	0.6553	0.6789	-3.43	0.7367
Italian Lira	1304.547	1315.84	-0.85	1531.24
Netherlands Guilder	1.976	2.0462	-3.53	2.5113
Norwegian Krone	8.3886	8.7057	-3.63	7.6037
Spanish Peseta	116.2081	126.251	-7.96	142.806
Swedish Kronor	6.0967	6.3393	-3.83	7.2021
Swiss Franc	1.4619	1.508	-3.06	1.8396
UK Sterling	0.563	0.6139	-8.29	0.6628

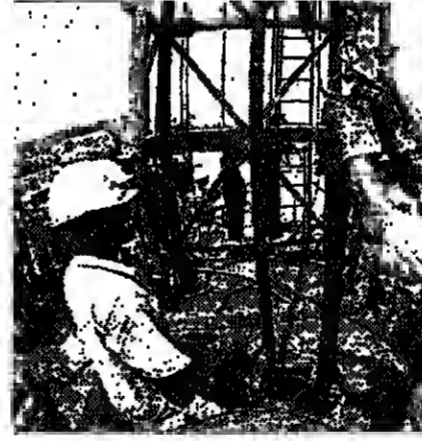
scramble for market share, is also very apparent. Rowntree, Savoy Hotel and Société Générale de Belgique will quickly be spotted as takeover candidates, in fact as well as fiction. Carlsberg, which also takes in the Tuborg label, has clearly gained from strategic share buying within the industrial drinks brand business. Finnish companies, which fall outside the jurisdiction of the FT Actuaries indices mostly on account of the curious two-tier share structure of the Helsinki bourse, are strongly in evidence. In many ways the backmarkers are equally predictable. Close to one-third of the 20

high-tech but equally sad departure. The FT Top 500 also reflects the way the public sector continues to be steadily rolled back right across Europe. France and the UK were again at the forefront of the trend. Société Générale and Suez, the two big banking and financial groups, headed the list of French privatisations. Capitalised at \$3.4bn, SocGen waded straight into the Top 100 list. Newly floated in July 1987, BAA led the UK new-issue contingent.

It is early days yet, but next year's FT Top 500 promises to make equally exciting reading. In the aftermath of the US presidential election, economic doubts have begun to crowd in upon the dollar, and world stock markets are once again holding their breath. But the takeover pace remains relentless: in recent weeks Société Générale, for one, has acquired an unwelcome big new shareholder. Europe's corporate backyard is still a place stalked by entrepreneurial giants.

Jeffrey Brown

Statistics for this survey were compiled by Anne-Britt Dulforce, Neil McDonald and Rupert Arlow. The survey was co-ordinated by Jeffrey Brown.



Royal Dutch/Shell, British Telecom and British Petroleum retained the top three spots, while lower down the list the Savoy Hotel leapt more than 100 places

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FT TOP 500 EUROPE

The basis for the lists

RANKINGS

The rankings of the European and UK Top 500 tables are based on market capitalisation at the end of June 1988. Preference capital has been excluded from this calculation. Companies that have 70 per cent or more of their equity held by one other concern, or that have only a minimal proportion of their capital openly traded on the stock market, have been excluded from the list. The capitalisation figures have been obtained from a variety of sources, including Datastream International, local stock exchanges and the FT World Actuaries Index.

Turnover is shown net of sales taxes and inter-group sales. A ranking based on the latest year's figure is also given. Profit is disclosed before tax and minority interest. For the UK companies it is also before

turnover or, where necessary, their profit. All figures in the European tables are expressed in dollars, using June average exchange rates. All figures in the UK table are in sterling.

ACCOUNTS

Consolidated accounts have been used whenever possible. When parent company accounts only have been reported, these figures have been used end annotated. Turnover is shown net of sales taxes and inter-group sales. A ranking based on the latest year's figure is also given. Profit is disclosed before tax and minority interest. For the UK companies it is also before

extraordinary items. Return on capital employed (ROCE) is based on capital employed at the beginning of the financial year divided by pre-tax profit plus interest. For banks, capital employed = shareholders' funds.

UK INVESTMENT TRUSTS

The rankings of the Investment Trust table are based on market capitalisation at the end of June 1988. The shareholders' funds figure is based on the number of shares in issue and the stated net asset value. This table has been compiled with the assistance of County NetWest/Wood Mackenzie.

EUROPEAN TOP 500 SECTOR CODES (FT-ACTUARIES WORLD INDICES)

Table listing sector codes for various industries such as Health Care, Chemicals, Pharmaceuticals, and others, with corresponding FT-Actuaries World Indices.

THE TOP 500 EUROPEAN COMPANIES BY MARKET CAPITALISATION

Main table listing the top 500 European companies by market capitalisation, including columns for Rank, Company Name, Country, Market Cap, Sector, and other financial metrics.

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EUROPE FT TOP 500

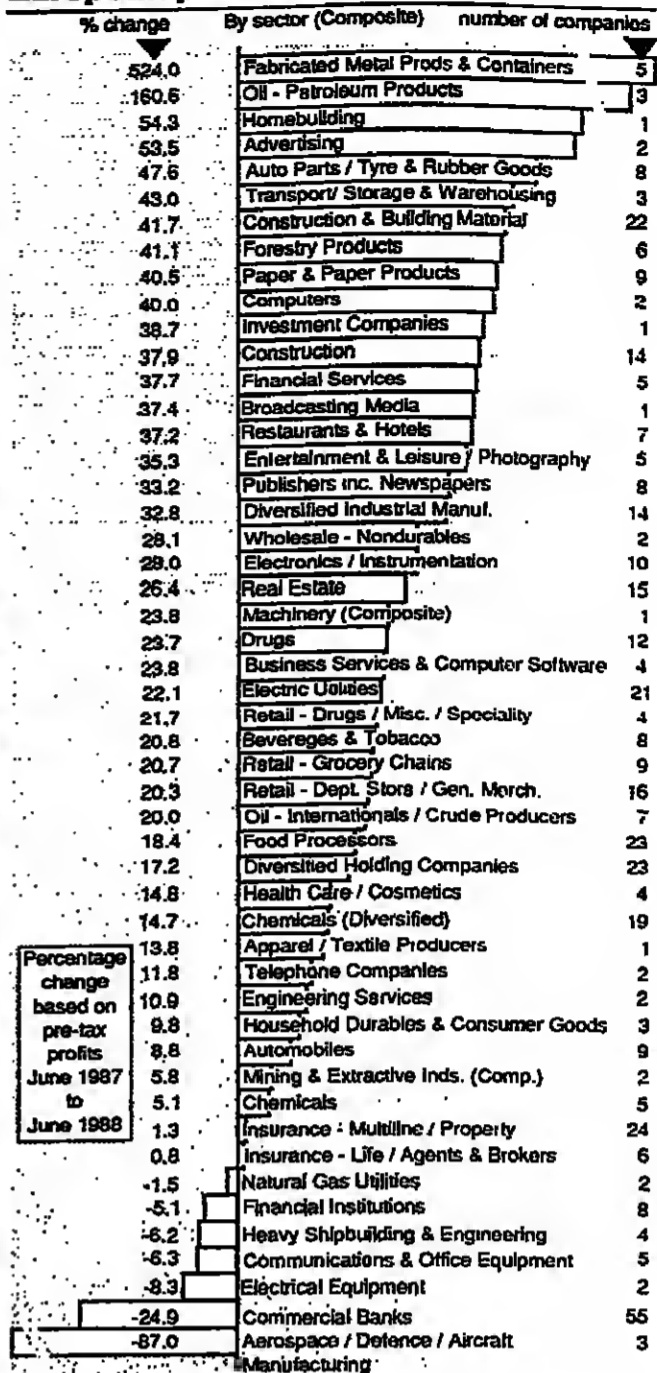
Additions to the European Top 500

Table listing companies added to the European Top 500, including company name, country, and rank.

Departures from the European Top 500

Table listing companies that have departed from the European Top 500, including company name, country, and last rank.

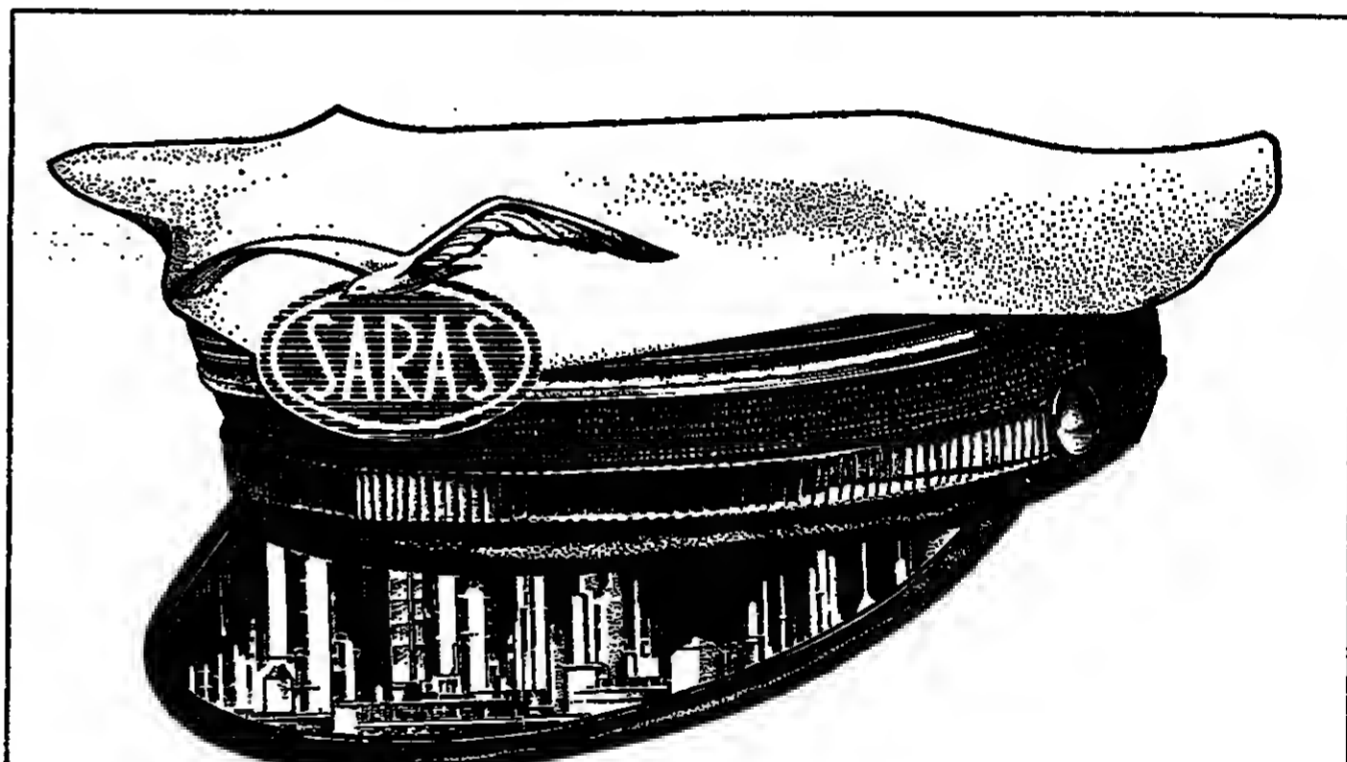
European profitability: FT Top 500



Main table of the FT Top 500, listing 500 companies with columns for company name, country, rank, turnover, profit, and ROCE.



British Telecom is again among the names at the top



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FOOTNOTES TO THE EUROPEAN TOP 500 LIST

Footnotes providing detailed information about the data sources, methodologies, and specific company notes for the FT Top 500 list.

FT TOP 500 EUROPE

EUROPEAN EQUITIES

Interrupted honeymoon

IN STOCK market terms, the companies that make up the FT Top 500 will not often experience a more traumatic year. Across the spectrum of European bourses, the FT 500 year opened with share prices racing ahead in a seemingly unstoppable bull market. It ended in June with all but the most hard-hitting of company executives hugging themselves in the hope that a tentative recovery to the biggest stock market shakeout since 1929 could somehow be sustained. Between October 8 and December 3, the FT-Actuaries Europe index had first peaked and then bottomed, in a share-price swoop that took the index down by no less than 32 per cent. The first fissures occurred on October 19, and most of the damage had been done within a few days. The shock to the system was awesome, and at the time the future looked bleak. In a sense, it could have been worse. Europe's love affair with equities, leading Europe's index to peak at 147 per cent above the level of the index at the start of the year, was still largely at the honeymoon stage. Many markets had been having a tremendous run, growing rapidly from tiny bases. But during the early months of 1987, the investment spotlight had mostly turned back full-blown on the bigger international arenas of New York and Tokyo, with the result that the more actively-managed European bourses entered the second half of 1987 less over-bought than they had seemed on some earlier occasions. At the time, though, such thoughts went unheeded. The mood of collective despair reigned until the turn of the year, when the index showed its first signs of spirited resistance to the selling pressure that had been mostly responsible for triggering the share-price crash in the first place. From then on, it was a slog with fingers crossed. As interest rates across Europe came down, both to support the dollar and to cushion the impact of the crash through looser monetary control, analysts had

Biggest profit decreases Europe

Table with 5 columns: Company, Cntry, Sector, Rank, % Profit decrease. Lists companies like Midland Bank, Standard Chartered, British Aerospace, etc.

Biggest profit increases Europe

Table with 5 columns: Company, Cntry, Sector, Rank, % Profit increase. Lists companies like Norsk Hydro, London & Scott Marine Oil, Metsa-Serla, etc.

EUROPE'S TOP 100 BY TURNOVER

Table with 5 columns: Ranking, Company, Turnover, Cntry, Sector, Year end. Lists top 100 companies like Royal Dutch/Shell, British Petroleum, IRI, etc.

The European food and drink sector

Shopping selectively

BRITAIN is home to 13 of the top 20 European-based food companies, and yet their apparent pre-eminence owes remarkably little to actual cross-Channel trade. This group has spent many years - getting on for a century in some cases - broadening its geographic spread and strengthening its hold on branded foods, the sector where margins are fattest and the prospects for economies of scale are greatest. This process has advanced to the stage where certain key markets are dominated by one or two companies. Unilever, for example, controls 80 per cent of the EC margarine market. Nestlé and General Foods rule in instant coffee. While British brewers seem mesmerised by the apparently impenetrable West German beer market, Heineken, Carlsberg and Kronenbourg have built massive shares in six EC states. Would-be competitors, trying to build themselves up, find life increasingly difficult. A recent report by stockbrokers Phillips and Drew catalogued the travails of Saint Louis de France, which said two years ago that it aimed to become Europe's second largest food group after BSN. It was feeling confident, having recently taken over the Lesteur edible oils business. However, after a raid on Saint Louis by Ferruzzi in 1987, the company was forced to dispose of its oil operations. "The recent failure by Saint Louis against Nestlé to take over Britton reinforces the feeling that these (ambitious) companies should find it difficult to compete against well-established European food leaders." But it is easy to be diverted by such setbacks and the scale of deals like the Nestlé swoop on Rowntree. BSN, for example, has become a major European group by a combination of astute bids and joint ven-

tures. A recent link with Mass of Belgium has both broadened the franchise of its transcontinental Kronenbourg beer brand and given it further Pils label to spread through its distribution network. Selectively picking off small pasta, mineral water, beer and biscuit companies, with a distinct bias towards southern European markets where demand for branded grocery is growing at more than 5 per cent a year - has made BSN a real force in areas far beyond its original food base in the French dairy products trade. For the established European operations acquisition policy seems likely to follow a similar selective pattern. Purchases will be intended to increase the bidder's strength in established markets - either adding complementary products or distribution strength - rather than simply plugging one corporate hole. Consider such as Goodman Fielder of Australia, which recently gave up the ghost of its protected haunting of Britain's BEM, may not be so choosy. They are under pressure, whether real or imagined, to establish themselves in the world's second largest trading bloc before the shutters go up. Much is made of the difficulties of acquiring desirable food companies in EC member states outside Britain, but they have proved of little concern to the UK drinks giants Grand Metropolitan, Guinness and Heineken, which have forged a most comprehensive network of joint ventures across Europe to speed and consolidate their penetration, and squeeze the competition. The fears of smaller players are illustrated by the tenacity of Pernod Ricard, which has taken control of Irish Distillers. Without a broader product portfolio, its strengths in areas could threaten to confine it to a shrinking niche. Christopher Parkes

A-Z LIST OF THE EUROPEAN TOP 500

A-Z list of the European Top 500 companies, including names like ABB, AEG, Alfa Romeo, etc.



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# FT TOP 500 THE UK

The equity markets: Martin Dickson considers the effect of the crash on the list

## A time for food, drink and leisure

THIS YEAR'S rankings in the UK FT 500 table are, inevitably, heavily influenced by the most dramatic event in the world equity markets this decade - the great crash of October 1987.

For, in the wake of that vertiginous plunge in the markets, investors adopted very different stances to the various sectors, and to individual companies. Some of the companies that had been the most glamorous in the City before the crash - acquisition-hungry, and issuing lots of paper to feed their appetite - went out of fashion overnight.

As for the various sectors, traditional bear-market holes became instantly appealing (or, at any rate, less unappealing than other equity investments).

On the assumption that, even a slump, people would have to eat, drink, and brew, the food and drink manufacturing sectors were suddenly in favour. Thus, looking at the various constituents of the FT Actuaries indices, we find that between June 30 1987 and June 30 1988 - the date to which the latest FT 500 rankings relate - the food manufacturing index fell by just 4.6 per cent and brewers and distillers by 6.3 per cent. This performance was bettered only by leisure (down 2.7 per cent) and mining

and overseas traders (rises of 3.4 and 6 per cent respectively).

The worst performing sectors between these dates were agencies (down 30.4 per cent) and other financials (down 27.7), reflecting both the impact of the crash on the financial services industry and the perceived dangers in such an uncertain climate of investment in businesses where the assets were intangible, and walked out of the building at night, rather than in more fixed and salable form.

The general equity market indices recorded large losses between June 1987 and 1988. That month's large rise in the FT-SE 100 index moving rapidly up past 2300 and on to its all-time peak, reached in mid-July, of well over 2400. It was still close to that level when the crash came in October, sending the index plunging to under 1600. Since the start of 1988, it has shown no particular trend, usually trading between 1750 and 1850 and encountering selling pressure on reaching the upper end of that band.

All these factors underlie much of the upward and downward shuffling of places in the latest FT 500 list. At the top end, British Telecom has replaced British Petroleum as the UK's largest company by

market capitalisation. The weakness of crude prices over the period meant that oil shares were among the market's laggards. Glaxo Holdings, the pharmaceuticals group which had long been a stock market favourite, suffered from a change in market sentiment and a drop in its rating, which took it down from fourth position to sixth by market capitalisation.

General Electric, the electronics group led by Lord Weinstock, dropped from ninth to 15th position, reflecting market concern over the dynamism of the business given though it has shown itself much more active over the past year in joint ventures and acquisitions.

Staying among Britain's largest companies, particularly sharp rises up the tables were recorded by two big construction groups, Cadbury Schweppes (up from 85 to 28) and Rowntree (from 86 to 30). Both movements reflected bid activity, or the threat of it. In the case of Rowntree, it finally succumbed to a £200 million takeover bid from Nestlé of Switzerland. In the case of Cadbury, the building up of an 18 per cent stake in the group by the American company General Cinema led to speculation that a bid might emerge.

The companies enjoying the

largest rises up the table (in the number of places moved) owed this to their takeover activity. The biggest mover was Yale and Valor, which jumped 284 places, from 453 to 163, thanks to the very ambitious takeover by Valor of the American locks company Yale.

Similarly, WPP, up 146 places, owed this to its takeover of the much larger US advertising agency, JWT. Blue Arrow, the employment group, was up 107 places, thanks to its takeover of the US group Manpower - a deal which made a footnote in the annals of City history when, at the very height of the bull market, Blue Arrow launched a then record British rights issue of £887m.

But while the great bulk of companies shooting up the table could thank takeover activity for this, a smaller group, in particular Blue Arrow Shop International, the beauty-care business, which has enjoyed a remarkable rate of growth ever since coming to the market.

Those suffering the greatest drops in rankings comprise a motley group of businesses: London United Investments is an insurance holding company, GT Management and Henderson Administration are fund managers, and the food manufacturer Matthews a food manu-

facturer.

This category also includes Virgin Group, the entertainment business, headed by Mr Richard Branson, which, despite its glossy flotation, never proved particularly attractive to investors in the City. Indeed, Mr Branson is private in the process of taking it over again through a management buy-out.

The newcomers to the list are headed by one of the great privatisation stocks of 1987: BAA, the airports group, comes into the rankings for the first time, as the 64th biggest company in the UK by market capitalisation. There are several other new issues high up the list of newcomers: London Forfating, the trade finance group, which was bold enough to be the first sizable London flotation since the wake of the crash; UK Paper; and AMI Healthcare.

Other newcomers include the products of mergers: FKI Babcock, which comes in at 188, is the result of a get-together between the FKI electronics group and Babcock, the boilermaker.

The bottom of the list also includes a number of relatively small companies, growing fast by acquisition, which could have the potential to climb much higher in the years ahead.

## Racal Electronics: up from 57 to 35

### Defence by flotation

THE 22-place leap made by Racal Electronics in the FT 500 table illustrates what an eventful year it has been for Sir Ernest Harrison's company.

For a time, it seemed possible that the company might not survive the year as an independent entity. After months of speculation, Cable & Wireless, the international telecommunications group, confirmed in June that it had bought a 2.5 per cent stake.

What appears to have prevented a full bid from C&W, was Racal's decision to float off its cellular communications subsidiary, Racal Telecom, via an international offering.

The announcement of Racal's plans in April saw its shares rise by around 30 per cent in one day. When Racal Telecom, which operates the Vodafone network, was eventually floated, it was valued at £1.7bn, more than the whole of Racal Electronics before the announcement of its intention to spin off its subsidiary.

The flotation generated plenty of controversy. Some institutions questioned whether an international offering was the best way of ensuring the maximum return to existing shareholders. In order to attract outsiders, it was argued, the shares would have to be offered at a discount.

Racal's largest single share-

holder, Millicom, the US electronics group, argued that the Vodafone company should be demerged, with existing Racal holders getting free shares in the new group.

The suggestion was not appreciated by Racal's management. They wanted to use the flotation as an opportunity to raise capital for the rest of the business - in particular, the security and data communications divisions, which they believed had been held back in recent years by the need to invest in Vodafone. Racal's management also wanted to keep a controlling stake in Vodafone.

In the end, the institutions backed Sir Ernest and the flotation went ahead, with Racal selling off a 20 per cent stake in its subsidiary to raise \$840m. However, the flotation cannot be classed as an unqualified success.

The shares were priced on a prospective P/E of 30.5, one of the highest ever seen in the London market. Despite many confident analysts' predictions that overseas demand would push the shares to a 20p premium, there was little evidence of any sustained US investor buying, and the shares closed at the offer price.

There must still be some doubt whether the phenomenal

growth achieved by Vodafone to date can continue. Official restrictions may yet be imposed on the group's return on capital; competition from cordless phones may reduce the appeal of cellular units; a slowdown in consumer spending could restrict purchases.

But Racal was still, on November 1, capitalised at only £1.8bn, just \$40m more than the value of its 80 per cent stake in Vodafone. Cable & Wireless may have disposed of its stake, but a takeover is not impossible.

What Racal has to do now is to illustrate that it can grow the non-Vodafone parts of its business. The telecom division effectively accounted for all last year's consumer spending profits; five out of the other six divisions showed declining figures. The only non-Vodafone division to improve was marine and energy, back in the black thanks to substantial restructuring following the decline in the oil price.

Racal has had some encouragement in recent months. It won a £300m contract to install a data communications system linking four large Government departments. But it may need to earn a quick return from the money raised in the Vodafone float, if it is to shake off bid rumours entirely.

Philip Coggan

### THE TOP 500 UK COMPANIES BY MARKET CAPITALISATION

Rank	1987 company	Market Capital (£m)	1988 company	Market Capital (£m)	Change	Rank	1987 company	Market Capital (£m)	1988 company	Market Capital (£m)	Change	Rank	1987 company	Market Capital (£m)	1988 company	Market Capital (£m)	Change	Rank	1987 company	Market Capital (£m)	1988 company	Market Capital (£m)	Change									
1	British Telecom	15,970	223	1	10,185	9.1	2,292	2,057.9	16.9	24.4	2,375	31.3	1	Associated British Foods	4,711	22.2	26.1	26.0	2	British Petroleum	15,210	212	1	27,580	27,170	1.5	2,367.9	2,060	14.2	1	2,375	31.3
2	Shell Transport & Trading	11,100	212	1	7,140	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	2	Glaxo Holdings	4,653	54	56	1,741	1,420	21.8	74.0	21.9	53	2,375	31.3							
3	British Gas	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	3	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
4	Imperial Chemical Industries	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	4	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
5	British Airways	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	5	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
6	British Airways	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	6	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
7	British Airways	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	7	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
8	British Airways	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	8	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
9	British Airways	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	9	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						
10	British Airways	7,250	222	5	7,340	-1.2	1,259.9	1,290.0	-2.7	18.3	1,290	31.3	10	British Airways	4,637	171	2	1,589.0	1,438.0	11.2	1,390.0	1,378.0	0.1	23.2	1,689.9	31.3						

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THE UK FT TOP 500

Main table of UK FT Top 500 companies, listing Rank 1988, Rank 1987, Company Name, Market Capitalisation, Revenue, Profit, and ROCE.

Table titled 'Biggest profit increases (UK)' showing Rank, Company, and % Profit Increase.

Table titled 'Biggest profit decreases (UK)' showing Rank, Company, and % Profit Decrease.

Barclays Bank: up from 17 to 11

Ahead again with a triple-A

ON THE face of it, there is a quick and easy reason why Barclays Bank has risen up the league table...



Mr John Quinton: aiming for a dominant role in Europe

its were up 17 per cent before the 1988-89 assets rose by a like amount to £30.8bn...

quarters, which resulted in the adoption of a much more aggressive style.

AND YOUR FINANCIAL PRINTER SAID EVERYTHING WOULD GO LIKE CLOCKWORK.



But, as you may have noticed, how a clock moves and what it means can be open to interpretation in the middle of the night by a financial printer.

FOOTNOTES TO THE UK TOP 500 LIST. 1 - ROCE based on shareholders' funds. 2 - ROCE based on shareholders' funds after charging interest on loan capital not stated separately.

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FT TOP 500 SECTOR & COMPANY PROFILES

The UK construction sector

Ratios fail to reflect optimism

IT HAS by any yardstick been a magnificent year for construction companies in Britain. With a month of the year to go, construction output is up by about a tenth. Most order books are full: profits are at record levels; and house prices, despite slower rates of growth this autumn, will have risen by about a third this year.

The 18 construction companies in the UK Top 500, in the year to June 30 1988, increased pre-tax profits on average by more than 42 per cent. Since then companies like Tarmac (49th) have announced a 50 per cent increase in pre-tax profits for the first six months of this year; Wimpey (122nd) a 40 per cent increase in interim profits; and Costain (138th) a 41 per cent increase in half-year profits.

Despite this, most of the country's best construction companies and construction material suppliers command only single-figure stock market ratings. Price-earnings ratios for many businesses are at their lowest since spring 1985.

Some companies have taken advantage of the sharp fall in share prices to buy stakes in rival construction groups. P&O, which owns Bovis, the construction management, property and housebuilding group, for example, has acquired a 10 per cent stake in Taylor Woodrow, the UK construction and property group.

So, have stock market ratings of construction and building material companies sunk too low? The extent of the fall in share prices suggests that many investors fear the construction cycle is about to move from a classic boom - UK construction output has increased every year since 1981 - to a classic bust.

According to brokers, current ratings of some housebuilders, of between five and seven times prospective earnings, imply a sharp fall in 1989 pre-tax profits. Few brokers, however, expect this to happen.

Most forecast slower, more modest increases in UK housebuilding profits next year. Total construction output, including maintenance and improvement work, is still forecast to rise by about 2 per cent next year.

Construction companies and building material suppliers say the current economic climate is very different from that of 1974 or 1981, the last two occasions when house prices fell in real terms.

During the first three months of 1989, by comparison, gross domestic product during the first six months of this year rose at the annual rate of 4 per cent, real earnings by 4.5 per cent, and capital investment by industry and commerce by almost 10 per cent. This should help underpin any softening of the construction market next year - assuming the economy makes the soft landing forecast by the Chancellor.

At the moment, most economic forecasters predict slower growth next year in output and real earnings. None so far is predicting a fall, which would mean a recession.

The key to construction industry prospects will be movements in UK interest rates. Rises in mortgage rates and the ending of multiple mortgage interest rate tax relief on August 1 dented new house sales earlier this autumn, although sales and reservations recovered in October.

Higher interest rates will also place at risk private investment in offices, warehouses, factories and shops. Already there is concern for the future of central London offices, should financial services companies continue to trim their operations in the wake of the stock market crash. Builders, on the other hand, point to an upsurge in demand for housing and commercial property in regions outside London and south-east England, which they say should compensate for any fall-off in demand in the south-east.

Demand for repair, maintenance and improvement is also likely to remain high, and should help to smooth out any fluctuations in demand for new building. Repair, maintenance and improvement accounts for about 40 per cent of UK construction output, and generally has been unaffected by previous downturns in the construction cycle.

There are signs of nervousness among some housebuilders which have started to offer part exchange deals and mortgage subsidies in a bid to maintain sales in south-east England.

Most construction companies remain confident that increases in real earnings and lower unemployment will offset any loss of confidence through higher interest rates. But they are not abandoning their bets by introducing sales incentives, which have not been seen in the British housing market for several years.

Andrew Taylor

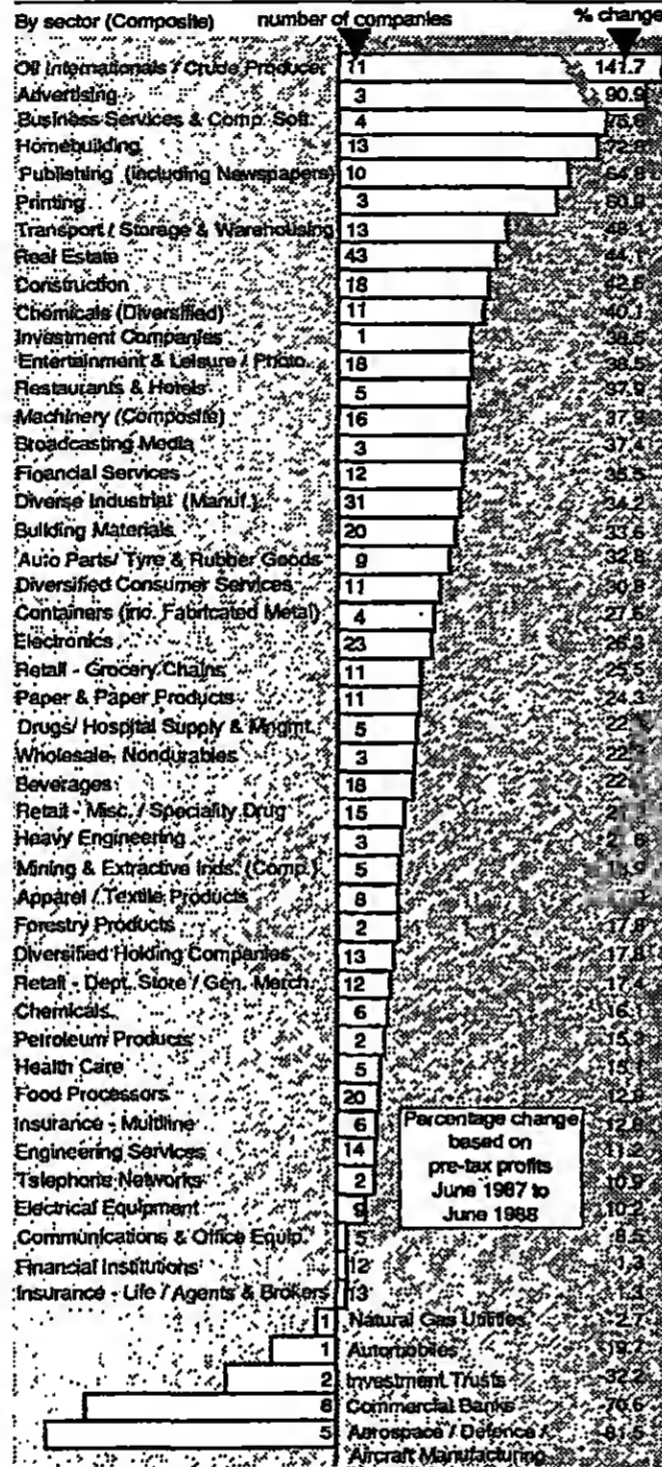
Additions to the UK Top 500

Table with 5 columns: Company, This Rank, SR, Company, This Rank, SR. Lists companies like BAA, FKI Babcock, London Forthling, etc.

Departures from the UK Top 500

Table with 5 columns: Company, Last Rank, SR, Company, Last Rank, SR. Lists companies like ASDA/MFI Group, Britoil, Octopus Publishing Group, etc.

UK profitability: FT Top 500



WPP leaps 147 places by...

Catching the bull's tail

WITH A 1699 per cent increase in turnover and a 700 per cent surge in profits, WPP has clearly been going places over the last year. This is reflected in the FT500 table, which shows the former manufacturer of supermarket trolleys as the UK's 245th biggest company - a leap of no fewer than 147 places.

Mr Martin Sorrell, the chairman, is regarded as a financial strategist of rare ability, a one-train corporate finance department, and the above statistics reflect his ingenuity and ambition.

Of course, organic growth alone could not have generated increases on such a scale: they are due to WPP's \$566m purchase of J. Walter Thompson, one of the world's largest advertising agencies, in June last year.

The transatlantic bid, pitched as it was for a vastly bigger company, was very much a product of the tail-end of the bull market in equities. And, despite much admiration for Mr Sorrell's financial pyrotechnics, the \$23m rights issue which followed the J.W.T. takeover flopped, with a take-up of just 35 per cent.

While this was happening, Mr Sorrell was facing trouble on the home front. Everywhere there were rumours of client and staff defections. Now and then, these crystallised into fact - as in September last year, when J.W.T. lost the giant Burger King account; or in March of this year when six top executives walked out from the Lord Geller Federico Einstein, a small Madison Avenue agency which held the



Mr Martin Sorrell: a financial strategist

Incremental IBM account with billings of \$126m. As they attempted to set up a new agency with the help of Young & Rubicam, they found themselves confronting a welter of litigation.

Despite these troubles, Mr Sorrell was clearly progressing towards his goal of bringing J.W.T.'s performance into line with that of other large advertising agencies. The first fruits of his labours were

reflected in 1987 profits figures, which came out in March and included a five-month contribution from J.W.T.

At £14m, the pre-tax result was substantially higher than most analysts' estimates, and margins crept upwards from 5 to 6.5 per cent of revenues, far short of the industry average of 10 per cent. The reflection that there was lot to look forward to helped resuscitate the shares somewhat, and they now stand at almost 600p, twice their post-crash low.

WPP's appetite for acquisitions was as insatiable as ever, despite the fact that this year it has been a lot harder to finance purchases with share issues.

Another handicap was the balance sheet - which showed negative net worth at the year-end, as a result of the goodwill element in the J.W.T. purchase. This did not stop WPP buying first the US Hispanic agency Mendoza for \$10m; then Anasch Grossman Portugal, also in the US, for \$12m; and then, in April of this year, the Henley Centre, an economic forecasting and consultancy company for which WPP paid £8.55m.

There were two other smaller purchases in April, but the autumn months appeared to promise bigger things as WPP held extensive talks with Charles Barker, the advertising, public relations and recruitment group. In the event, these came to nothing.

Mr Sorrell believes that WPP now commands a mere 1 per cent of the world marketing services industry. So, after one busy year, there is clearly a lot more to do.

David Waller

A-Z LIST OF THE UK TOP 500

Large alphabetical list of the top 500 UK companies with their respective ranks and shareholdings.

Home and away: Barclays' presence in Swindon (Old Town) and Paris. The bank's account is described on page 7 of this survey

TOP 100 UK INVESTMENT TRUSTS BY MARKET CAPITALISATION

Table listing the top 100 UK investment trusts by market capitalisation, including names like Globe, Fidelity, and British Assets.